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# BUSINESS WEEK

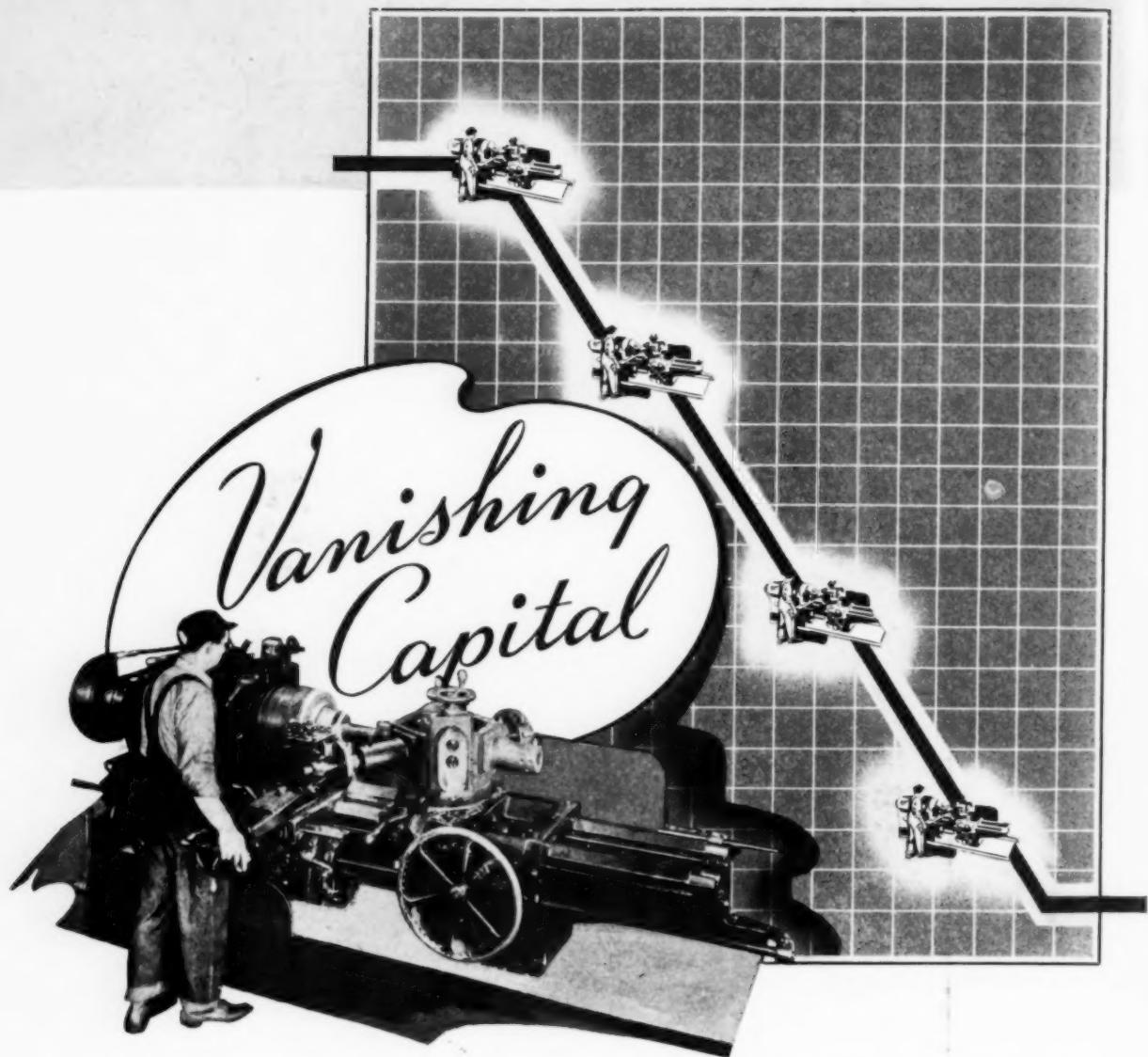
JUN 16 1944



The flood tide of war in Europe washes a flood tide of refugee gold into New York.

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\$8000 per worker is what it takes in plant and machinery to start the average American workman earning money for himself and his company. It needs \$486 every year to keep that original \$8000 investment modern enough to compete.

*American industry has not been making that continuing investment.* In the last nine years our capital investment—the only investment that makes worthwhile jobs and national income possible—has been 49% less than it was over the preceding nine years.

The fact you may have handsome depreciation reserves offsetting your \$8000 investment per worker doesn't help you or him—until you use them. The biggest reserve in the world isn't going to help a worker at an old machine in your plant compete with a worker with a new machine in the plant of your competitor.

Some American managers are re-learning the old truth that *money at work makes money*—keeping workmen profitably employed. These managers know that depreciation reserves invested in bonds may earn 2% but invested in modern equipment may earn as high as 50% or more. Warner & Swasey field engineers are working now with such managers, studying what some of their \$486 per worker per year can earn in new Warner & Swasey turret lathes. If you, too, are interested in changing your vanishing capital into producing capital, write



YOU CAN TURN IT BETTER, FASTER, FOR LESS... WITH A WARNER & SWASEY



## Murder in the Laboratory

*A typical example of Goodrich improvement in tires*

BEHIND the massive walls and bullet-proof glass of this tiny room in Akron, a tire is about to be blown to bits. A test of a new development in Goodrich truck and bus tires.

Water is pumped into the tire and gauges measure the mounting pressure. Up, up it goes — far above normal pressure. Still the gauge needle moves up, beyond the pressure any tire carries on the road. Higher, higher ... and at last *bang!* — there she blows!

Tire after tire was blown up to the bursting point in the Goodrich laboratory — each with a different type carcass. Test after test was made to find the best construction consistent with the speeds, loads, and inflations to

which tires are subjected. That construction was then adapted to all Goodrich Truck and Bus Tires — one more in the many improvements to their life and strength which Goodrich research is making constantly.

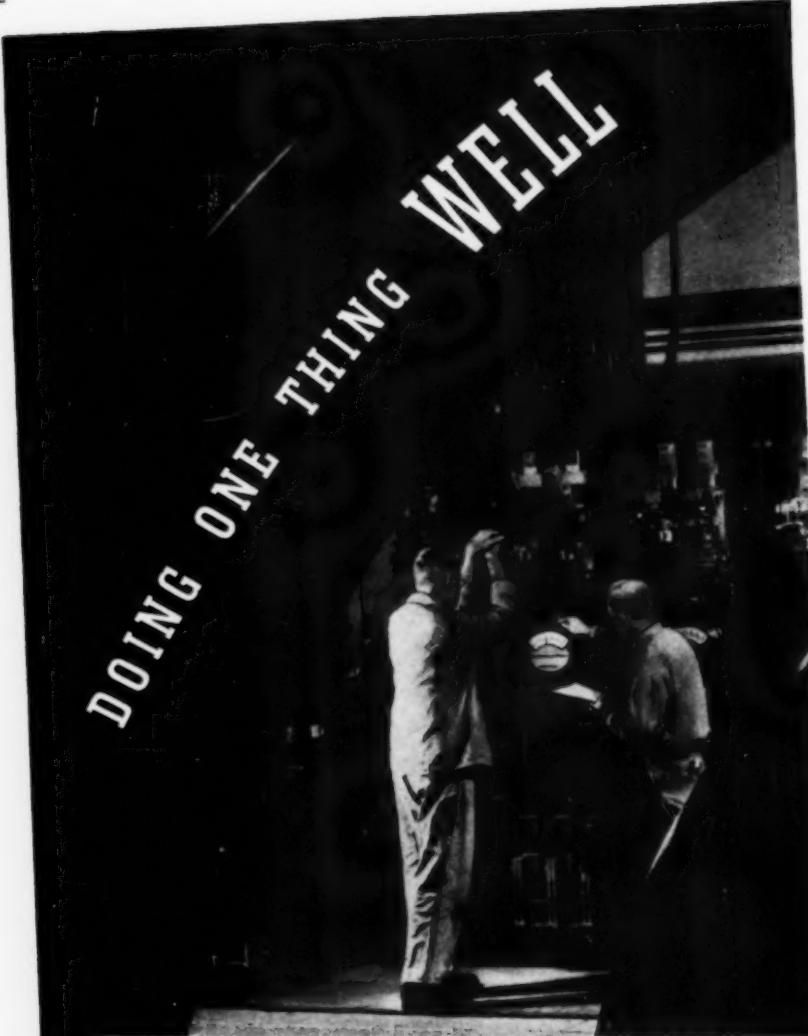
It was Goodrich research which developed Triple Protection — Goodrich research which brought forth the revolutionary Hi-Flex Cord now used in all Silvertown Tires.

This cord is of special value in truck operations. Its compactness makes

possible the construction of a streamlined tire — a less bulky carcass. It does away with the "excess fat" which causes dangerously high tire temperatures. Because it runs cool you can carry the peak loads and hit the high speeds with far greater protection.

It's a safer tire on any count. The "murder" test proves it. And hundreds of truck operators will back up that statement. If you want to cut tire costs — with safety — talk to the Goodrich man today. Remember which, the name's Goodrich. The B. F. Goodrich Company, Akron, Ohio; Los Angeles, California; Kitchener, Ontario.

**Goodrich** **Silvertowns**  
FOR TRUCKS AND BUSES



Long before this era of specialization, Hartford Steam Boiler saw that the engineering involved in insuring industry against loss from plant-wrecking, life-endangering accidents to power equipment was so very exacting as to merit the whole attention of any company that undertook it. For 74 years Hartford has been doing this—to the exclusion of all other interests.

To reduce hazard (and thus reduce cost to policyholders), the Company early developed its system of inspections . . . of learning the symptoms which tell of faults in the structures by which power is harnessed, and of then searching out these faults before they can cause disaster.

With more than 400 specially trained field men, directed by a

home-office engineering staff employed exclusively in the study of power-plant accident causes and prevention, Hartford insurance-protection probably has no parallel for efficiency and convenience, nearby facilities.

Because of sound financial strength and long experience in doing one thing well—

*Hartford Steam Boiler is chosen to protect a preponderant part of America's insured power equipment; and to shop-inspect more than 90% of the nation's industrial-power boilers during their construction.*

Your agent or broker will tell you that nowhere can you find finer service in connection with the insurance of boilers, engines, turbines, pressure vessels or electrical power equipment.

**THE HARTFORD STEAM BOILER INSPECTION AND INSURANCE COMPANY**

HARTFORD,  
CONNECTICUT



Business Week · June 15, 1940

## THIS BUSINESS WEEK

**BUSINESS WEEK**



Imports of gold into the U. S. soared into the dizzy regions above the half billion-dollar mark last week, smashing all the records. The \$532,477,333 in gold which poured in more than doubled the highest amount that had ever come here in a single week before. A good part of it (\$483,000,000) came down from Canada, whether it had been shipped by the Allies; and the arrival in New York last week of 12 railway cars filled with Allied gold even had Wall Street sitting up to take notice. For three days, 64 Railway Express Agency trucks rolled into the heavily guarded driveway of the New York Federal Reserve Bank with the gold, where it was stored in vaults sixty feet below the ground. Like most of the gold shipped here by the Allies before the war, that which went into the Federal Reserve vaults last week was earmarked for safekeeping—but also, and even more importantly, it was earmarked for ready availability to purchase war materials in the U. S.

### Italy Joins Up

ITALY finally did it this week. On page 16, BUSINESS WEEK interprets the immediate and long-range effects of Italy's entry into the war. For background, see "For Italy, a Gambler's Choice" (BW—May 25 '40, p16), second in the current series of BUSINESS WEEK reports on "The Real War." The next report in this series will appear in an early issue.

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PUBLICATION

**Defense**

WASHINGTON moves with the tempo of the old World War days as the armament program picks up speed. More than \$5,000,000,000 has been voted for defense—all that the President asked. The job now is to get production. Industrial groups in Washington last week—those that came to offer their cooperation or to coordinate their production facilities for armament output—included steel, manganese, railroads, telephone, drugs, and food products. New developments in the program of interest to business—page 15.

**Arms and the Auto Industry**

IT'S STILL BUSINESS as usual in the auto industry, despite the much-publicized part it's slated to play in the defense program. Production is going ahead on schedule. Plans for the 1941 cars are in the works; and there is even some experimental work in progress on the 1942 models. The industry doesn't yet know what its place is to be in the armament program, but it's got its fingers crossed, hoping it will be asked to produce something it's capable of producing. If it's asked to turn out tanks and trucks, the industry's all set; but aircraft's another story. Why the industry is worried about the airplane problem—page 30.

**Arms and Machine Tools**

THE MACHINE TOOL INDUSTRY's already taking its place in the armament program. To stave off the possibility of a bottleneck—now, or when the program is really steaming ahead—the industry recently proposed a plan of procedure, had it accepted by the government, and is already working under it. How the self-regulatory system works, and how it's working out—page 27.

**Rubber**

RUBBER is right near the top of the Army and Navy Munitions Board's list of 14 "strategic" materials. And as the war continues, the problem of where (and whether) we will continue to get our supply of rubber becomes more acute. Last week two U. S. manufacturers, B. F. Goodrich, and Standard Oil of New Jersey, offered two solutions in the form of two new synthetic rubbers—page 42.

**Besides**

THE CHAIN STORES are starting a fight against branded items which consumer demand forces them to carry, even when the mark-up is less than their cost of doing business; their opening salvo being the introduction of private brands to compete with Crisco and Spry—page 36. . . . FOUR LINES on page 41 tell the story this week of the fight between Harry Bridges and Sam Wolchok for Eastern jurisdiction over wholesale workers; just four lines, because BUSINESS WEEK broke that story—and raised an angry chorus of denials—back in its April 13 issue (on page 37).

# Young enough to venture, Old enough to know how



True to the name of their Company,  
venturesome New Departure engineers  
developed today's accepted bearing  
types and perfected precision manufac-  
ture of uniform high quality in quantity.  
And . . . they continue to pioneer!

## NEW DEPARTURE THE FORGED STEEL BEARING

*Nothing Rolls Like a Ball*



Write to Main Office, New Departure, Division of General Motors, Bristol, Connecticut for engineering consultation and 150 page book, "Why Anti-Friction Bearings."



Authorized automotive and industrial replace-  
ment bearing service, wherever you see the  
United Motors Service sign. Authentic products.  
Complete stocks. Prompt delivery.



STERLING ELLIOTT was the first man to build an addressing machine with tracks through which address cards were pushed to addressing position.

And because Elliott Address Cards will run through an Elliott Addressing Machine either end foremost, forms that must be addressed near the top edge may be inserted top edge forward, while forms that must be addressed near the bottom edge may be inserted bottom edge forward.



Just take a statement like this, and an envelope like this, to any other addressing machine and notice that you must insert them both face down and will have to insert one of them in an awkward manner.

A booklet telling 28 additional Elliott advantages will be mailed if requested on your business letterhead.

The Elliott Addressing Machine Co.  
151 Albany Street Cambridge, Mass.

## NEW BUSINESS

### U. S. A., 1940

NINE TIMES OUT OF TEN when a man slips on a factory floor and hurts himself, the fault lies in the kind of floor surface or in the way it's maintained. But the problems of determining what is a safe walking surface and which are the best ways of keeping it in apple-pie order have not as yet been solved, according to the American Standards Association, which is working out a set of safety specifications.

A Minneapolis film producer has just about completed a series of motion pictures that supplement the education of fledgling mechanics. Among other things, his reels will cover precision measuring and layout methods, machine setup and operations. In addition to a running commentary (the picture is on 16 mm. sound film), use of slow motion, enlargements, and animated cartoons are expected to put the lessons over.

### Trouser Protection

BY REQUIRING her postmen to carry tidbits for dogs such as bones, meat scraps, or candy, the postmaster of Los Angeles, Mrs. Mary D. Briggs, has reduced bites and torn-pants-legs among her carriers from 121 in the first four months of 1939 to only 15 this year. . . . THE SUCCESSFUL bidder for a \$200,000 asphalt plant in Cleveland submitted the highest initial plant cost figures—but the contract was awarded on the basis of 10-year operating costs and his more expensive original plant guaranteed the lowest yearly upkeep. A 30-day performance test made after the completion of the plant showed that operation costs were actually about \$400 a year less than he promised. Had they been higher than the guarantee, the cost of the plant to the city would have been reduced, the American Public Works Association reports.

### Box Office

TALKING UP chain store systems as likely prospects for new outlets, the National Association of Real Estate Boards has published a booklet which helps a landlord who has a vacant store on his hands. Specifically, the booklet helps the property owner to estimate a fair rent to ask, gives him the store dimensions that leading chains prefer, and in addition lists the best location for chain stores in more than 200 cities—so that he can readily tell whether he is in the money or not.

### Railroad Loans Bulls

FOLLOWING UP its agricultural demonstration train, which toured Louisiana, Mississippi, and Tennessee this spring (BW—Mar 9 '40, p 22), the Illinois Central has loaned 14 thoroughbred-bulls to

dairy farmers along its right-of-way so they can build up herds with high milk production capacities. . . . JUST IN CASE regulation slices of bacon don't appeal to Oklahoma City families, Wilson & Co. is marketing 2 lb. packages of bacon cut in strips an eighth of an inch wide, which is considerably thicker.

### Air Menus in Beauty Shop

THE SAN FRANCISCO OFFICE of United Air Lines has thought up a new way to talk to women about travel by air. It serves airplane luncheons to customers of a local department store's beauty shop



who happen to be "in the works" at noon hour. The inexpensive meals are supervised by a United stewardess and are served in the same non-slip paper containers and lightweight trays used on the company's planes. The women order from United Air menu cards and, somewhere along the line, of course, are given sales talks on the advantages of air travel.

### Our Times

ONE OF THE BIG FIRMS in this country that draw up the plans for new industrial buildings and erects them, the Austin Co., has more work under way for this year than it has ever had since it was founded in 1878—many wars ago. It has enough orders, such as a new \$2,000,000 contract from Boeing Aircraft Co. for an assembly plant addition in Seattle, to warrant supplementary offices in Cleveland that will increase the total staff of draftsmen and engineers by approximately 60%.

## WASHINGTON BULLETIN

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**WASHINGTON (Business Week Bureau)** — Things are moving so fast in Europe that almost anything may happen, but the Republicans have to decide this month what they will do about the whole war issue, whereas the Democrats not only have the privilege of waiting nearly a month longer, but they don't have to make their decision in a town meeting. It will be decided for them, at the White House.

The vote of Republican Senators on the Administration resolution to permit sale of government-owned guns, planes, and equipment to Britain and France foreshadows a fight that may tear the Grand Old Party to pieces at its Philadelphia convention. Eight Republican solons voted with the President. Eleven, including two candidates, Taft and Vandenberg, voted against.

### Problem Now at Least

**THE PREVAILING OPINION** is that by November isolation will not be an issue—that the country will be virtually 100% pro-Ally if the war is still going on. But right now, if isolation is half as important as 11 Republican Senators think, party orators will have to change their speeches as they cross each state line. Incidentally, this is not as easy as it was in 1916, when there was no radio to consider.

The Democrats are split too, but it doesn't make any difference. Those voting with the "leader" on the arms sale roll call were 58; those against, six. One of the six, Holt, is a lame duck.

### Ohio in 1916 an Example

In 1916, no visiting Republican orator could discuss the war issue in Ohio. Nearly all the Republican Congressmen from Ohio had voted to warn Americans off armed ships—contrary to President Wilson's policy—while the majority sentiment of the party throughout the whole country was behind the President. The situation was so bad in this vital political state that everybody knew in advance it was going Democratic, although the adjoining states—Michigan, Indiana, West Virginia, and Pennsylvania—went Republican.

### A Not Very Dark Horse

UNLESS Taft is nominated fairly early in the balloting, Willkie's nomination has now become a distinct possibility. Shrewd political observers think Dewey has passed his crest—one of the casualties of the German advance. Senator Vandenberg's flip-flop leaves him flat on his back.

Willkie has sapped Dewey's strength because he appeals to the imagination of the Republican wheel horses as a candidate who would really "swap punches"

with Roosevelt, whittle him down for the next G.O.P. assault. Dewey was the hardest-hitting candidate up to the time Willkie began to be taken seriously. Willkie has the additional appeal of carrying conviction that he could do an efficient job in preparing national defense.

### Call for Douglas?

**DON'T OVERLOOK** Supreme Court Justice William O. Douglas among Democratic vice-presidential aspirants peering quietly but eagerly from the bushes. He's only 42, capable, close to the President and a Westerner. That's important for a balanced ticket. Born in Minnesota, he was educated and taught school in Washington before coming east to Yale. Justice Douglas is too lusty a pioneer for the

cloistered court atmosphere. He would willingly doff the robes to become Roosevelt's running mate. His friends claim there's a good chance he will get the call.

### Knudsen's Mandate

**IN HIS NEW JOB** Knudsen will not be cramped by New Dealers, social reformers, or anybody. Everybody who knows the man knows that he will not stand for meddling—that he will quit if his work is sabotaged. More important, unless the President intended to let the auto man function without interference he would not have appointed him and taken the political risk of Knudsen's retiring with a roar.

Still more important: National defense at the moment means far more to the President than anything else. He will go just as far as the people let him—thinks he's pulling them to his viewpoint.

### Defense vs. FPC

**THE DEFENSE** Advisory Commission hasn't yet got around to figuring on power supply. Both Stettinius and Knudsen realize that it's a hot potato, since it's through the power set-up that New Deal agencies are trying hardest to take hold of defense plans. There are strong indications that the Federal Power Commission may jump in before the defense commission acts. If so, it will show Roosevelt's hand.

Recommendations put before the FPC for immediate action are reported to call for construction of inter-company connections in at least two vital areas, Pittsburgh and New York-New Jersey.

★ Big stick: Under the 1935 Utility Act, FPC has authority, never used, to declare an emergency and order such inter-connections, as well as installation of more capacity and distribution facilities.

### Hands Off G.M.-C.I.O. Row

**BECAUSE ROOSEVELT** and Hillman were determined at the start of the General Motors-C.I.O. wage fight not to be drawn in, the situation in Detroit this week will furnish a gauge of the probable extent of labor disturbances during the emergency if business and the unions are left to their own devices.

The President was convinced that if he intervened this time there would be no end to it. Neither employers nor employees would settle any dispute until the last word came from Washington.

Hillman doesn't propose to handicap his job of mobilizing labor supply for defense industries by adopting the role of umpire in labor disputes, even to aid a union for which he's godfather.

★ Epidemic: Administration officials divide on the question of whether G.M.'s



*International*  
**The Ford Company moved into the national defense picture this week when Henry Ford examined this Curtiss P-40 pursuit plane, flown to Dearborn, Mich. at his request—and Edsel Ford conferred with William S. Knudsen of the National Defense Commission, on the production of airplane engines. In his Washington conference, Mr. Ford made it clear that he was talking about aircraft engines—not whole planes. That's another, and even tougher, problem for the auto industry (page 30).**



**...FIND OUT HOW AND WHY AMPCO METAL CAN ADD VALUE TO YOUR PRODUCTS...**

Superior products are always easier to sell — Ampco Metal built into machines and equipment cuts maintenance costs, gets greater production efficiency—wins good will and repeating customers, adds to the reputation of the manufacturer.

After thorough trial, more than 1400 national manufacturers have adopted Ampco Metal for a wide variety of uses ranging from cams, shifters, nuts, gears, bushings and bearings, to forming and drawing dies and acid-resistant equipment. Ampco has proved not only that it outlasts other bronzes in difficult services, but also that in some cases it will actually outwear hardened steel.

Write for data on Ampco Metal and its uses in modern industry.

**AMPCO METAL, INC.**  
Department BW6, MILWAUKEE, WISCONSIN



profits entitle its workers to a wage boost. Many see that, if the union can force a boost on the corporation, which is already paying top wages, labor's demand would spread throughout the industry.

**Labor Laws Stick**

LABOR has the President's wholehearted leadership in its fight against relaxing labor laws in executing the armament program. Because of that, chances are that the Senate committee will bottle up the drastic Wagner Act amendments which the House approved last week. If they do manage to get on the Senate floor, death by filibuster is possible.

Congress is also turning a deaf ear to the plea of the Army and Navy for the right to handle contracts without regard to the Walsh-Healey Act. The military sought an exception in order to relieve contractors from labor department inspections and red tape, although all workers would be paid time-and-a-half over 8 hours a day, 40 hours a week.

Both the Army and Navy bills have been amended specifically to provide for supervision by the labor department. A LaFollette amendment to the Army bill extends overtime wage rates to piece workers.

**Study in Coincidence**

DELAY in the release of that long-promised report on network monopoly in broadcasting was abruptly terminated this week when copies of the 1,300-page study became available the same day that Federal Communications Commissioner Thad Brown, appearing before the Senate Interstate Commerce Committee on the matter of his reappointment, was taken over the jumps by Senators Tobey and Wheeler.

The conclusion of the report—that the chain system concentrates too much power in the hands of a few men—was just what everyone has expected for 13 months and just what the Senators ordered. The network outlet contract was attacked as "the heart of the abuses" and its "reformation" was recommended as imperative if the interest of the chain-affiliated stations was no longer to be subordinated to the interest of the chain-owned outlets.

**Another Opening Gun**

THE DISTRICT OF COLUMBIA grand jury action against the drug, cosmetic, and surgical equipment industries is the opening gun in a campaign to bring down prices to the consumer. Assistant Attorney General Arnold believes they are too high and suspects one reason is price collusion. He has subpoenaed all the drug and cosmetic trade associations and the American Medical Association as well as principal manufacturers and wholesalers.

★ Suspect: A.M.A.'s connection is not too clear, but apparently Arnold wants to know how its "seal of approval" is

**Open Season on Agencies**

CURRIES of the conduct of various government agencies will be given a field day in Washington, June 26-28, and July 10-12. The Attorney General's Committee on Administrative Procedure has invited anybody to appear who wants to get a load off his chest. Regarded as the Administration's answer to the Logan-Walter bill, the committee has had a staff busy appraising the performance of administrative agencies for the past 18 months. The findings are surprisingly critical. Both old line and the young New Deal agencies are included.

Here is the general schedule:

**June hearings** — Walsh-Healey Board, Veterans' Administration, Maritime Commission, Federal Communications Commission, Federal Alcohol Administration, Federal Trade Commission, Grain Standards Act, Railroad Retirement Board, Federal Reserve System, Bureau of Marine Inspection and Navigation, Packers and Stockyards Act, Wage-Hour Administration, Post Office, Federal Deposit Insurance Corporation, War Department, Social Security Board, Railroad Labor Board, National Labor Relations Board, Civil Aeronautics Authority, and Bituminous Coal Division.

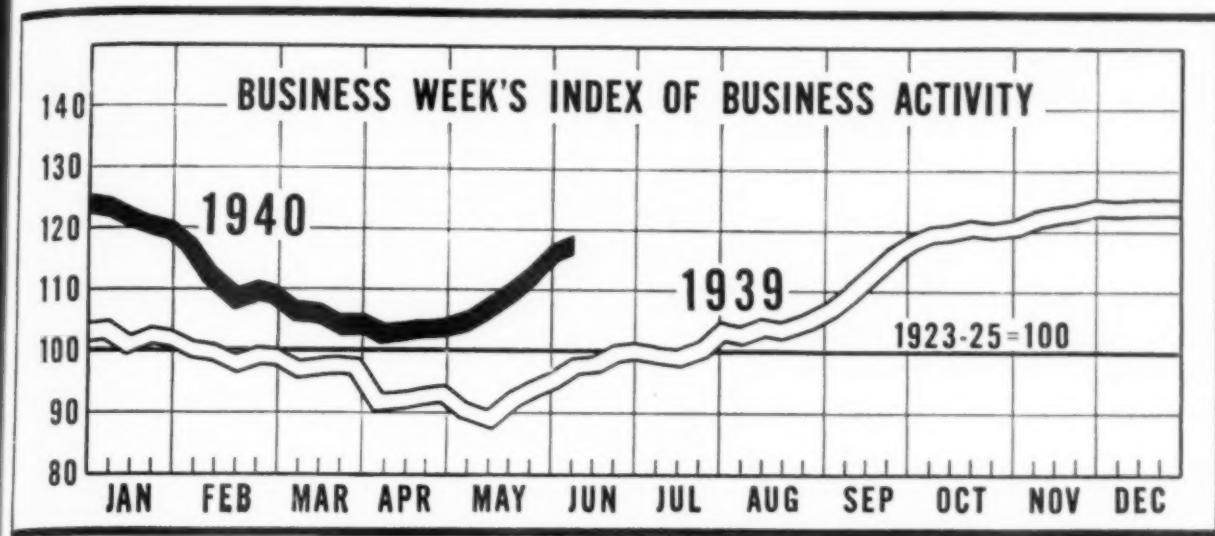
**July hearings** — Interstate Commerce Commission, Federal Power Commission, Securities and Exchange Commission, Employees Compensation Commission, Tariff Commission, Bureau of Customs, Internal Revenue, Board of Tax Appeals, Processing Tax Board, and agencies enforcing the Agricultural Marketing Agreements Act, Commodities Exchange Act, Perishable Commodities Act, Plant Quarantine Act, Food, Drug and Cosmetic Act.

awarded and whether it's a monopoly breeder.

**P.S.**

WHILE PRESIDENT ROOSEVELT may not name a new Navy Secretary to succeed Edison until after the Democratic convention, Governor Stark of Missouri, an Annapolis grad, continues to appear the strongest possibility. . . . CONNIE MACK never had more determined scouts than J. Edgar Hoover is throwing into the field to scan graduating law classes for 500 FBI recruits to combat the Fifth Column. Already 150 of Hoover's 1,000 G-Men are on national defense work. . . . BAN put on amateur radio traffic with foreign countries is simply designed to speed detection of stations operating unlawfully. The American Radio Relay League previously had cut off communications with belligerents. In the event of war, "key" amateur stations will be used to form an air raid warning net.

## THE FIGURES OF THE WEEK



	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
<b>THE INDEX.....</b>	<b>*119.1</b>	<b>117.4</b>	<b>109.0</b>	<b>125.4</b>	<b>99.1</b>
<b>PRODUCTION</b>					
Steel Ingot Operations (% of capacity).....					
Automobile Production .....	84.6	80.3	70.0	91.2	53.1
Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	95,560	60,950	98,480	115,488	65,265
Electric Power Output (million kilowatt-hours).....	\$10,610	\$10,180	\$8,817	\$8,828	\$10,925
Crude Oil (daily average, 1,000 bbls.).....	2,453	2,332	2,388	2,586	2,257
Bituminous Coal (daily average, 1,000 tons).....	3,817	3,749	3,825	3,827	3,377
	1,407	1,327	1,339	1,508	1,070
<b>TRADE</b>					
Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....					
All Other Carloadings (daily average, 1,000 cars).....	72	71	70	76	67
Check Payments (outside N. Y. City, millions).....	47	43	40	43	37
Money in Circulation (Wednesday series, millions).....	\$4,127	\$4,552	\$4,146	\$4,548	\$4,286
Department Store Sales (change from same week of preceding year).....	\$7,718	\$7,685	\$7,589	\$7,545	\$6,986
	—9%	None	+4%	—5%	+9%
<b>PRICES (Average for the week)</b>					
Spot Commodity Index (Moody's, Dec. 31, 1931 = 100).....					
Iron and Steel Composite (Steel, ton).....	154.7	153.2	163.8	163.4	142.9
Scrap Steel Composite (Iron Age, ton).....	\$37.59	\$37.55	\$37.25	\$37.26	\$35.72
Copper (electrolytic, Connecticut Valley, lb.).....	\$19.17	\$18.58	\$17.58	\$18.08	\$14.79
Wheat (No. 2, hard winter, Kansas City, bu.).....	11.500¢	11.500¢	11.383¢	12.500¢	10.000¢
Sugar (raw, delivered New York, lb.).....	\$0.80	\$0.82	\$1.05	\$0.93	\$0.75
Cotton (middling 1/2", ten designated markets, lb.).....	2.71¢	2.73¢	2.88¢	2.95¢	2.84¢
Wool Tops (New York, lb.).....	10.10¢	9.88¢	9.90¢	10.39¢	9.55¢
Rubber (ribbed smoked sheets, New York, lb.).....	\$1.021	\$0.974	\$1.016	\$1.172	\$0.849
	22.19¢	21.55¢	23.22¢	20.19¢	16.39¢
<b>FINANCE</b>					
Medium-Grade Corporate Bond Yield (30 Baa issues, Moody's).....					
U. S. Bond Yield (average of all issues due or callable after twelve years).....	5.21%	5.22%	4.81%	4.91%	4.88%
U. S. Treasury 3-to-5 year Note Yield.....	2.49%	2.48%	2.28%	2.40%	2.09%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	0.84%	0.83%	0.48%	0.56%	0.36%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1.00%	1.00%	1.00%	1.00%	1.00%
Business Failures (Dun & Bradstreet, number).....	1/2-1/4%	1/2-1/4%	1/2-1/4%	1/2-1/4%	1/2-1/4%
	249	239	289	297	279
<b>BANKING (Millions of dollars)</b>					
Demand Deposits Adjusted, reporting member banks.....					
Total Loans and Investments, reporting member banks.....	20,306	20,287	19,741	18,824	17,057
Commercial and Agricultural Loans, reporting member banks.....	23,527	23,524	23,576	23,162	21,795
Securities Loans, reporting member banks.....	4,368	4,367	4,404	4,378	3,833
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	912	959	1,091	1,153	1,239
Other Securities Held, reporting member banks.....	11,564	11,480	11,466	11,139	10,410
Excess Reserves, all member banks (Wednesday series).....	3,528	3,589	3,456	3,377	3,269
Total Federal Reserve Credit Outstanding (Wednesday series).....	6,530	6,360	6,130	5,154	4,279
	2,530	2,511	2,507	2,568	2,576
<b>STOCK MARKET (Average for the week)</b>					
50 Industrials, Price Index (Standard Statistics).....	90.6	88.5	109.1	119.7	113.1
20 Railroads, Price Index (Standard Statistics).....	23.5	23.2	28.2	31.8	27.7
20 Utilities, Price Index (Standard Statistics).....	53.6	53.9	63.2	68.5	67.4
50 Stocks, Price Index (Standard Statistics).....	74.4	73.0	89.3	97.9	92.6
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	761	1517	2,475	742	510

\* Preliminary, week ended June 8th. † Revised. ‡ New series. § Date for "Latest Week" on each series on request.

# \$600 SPENT ONCE SAVES \$1800 ANNUALLY

**PROBLEM** — The Sunbeam Electric Manufacturing Company of Evansville, Indiana, was looking for some way to eliminate spoiled production, lost time, and labor and material costs—all unnecessary expense resulting from the short life of the contacts used in resistance-welder control.

**SOLUTION** — In discussing the problem with General Electric engineers the substitution of electronic-tube control, which has no moving parts, was proposed to replace the contactor-type control.

This modern welder control was put in, at a cost of less than \$600 installed. It eliminated the loss of production as well as the cost of replacing contacts. The company is now saving, with the electronic control, \$1800 each year.

Any reputable equipment will operate—but you obtain the greatest profits possible *only* when the correct equipment is skillfully applied to *your* job.

**SUGGESTION** — Somewhere in your plant there may be an opportunity to solve some of your production problems, and to make even astonishing savings, through the utilization of the latest electric equipment for your work. Why don't you start a *new* search for this opportunity *now*? General Electric engineers will be glad to help you—working with your own or your consulting engineers, or your machinery manufacturers—to earn greater profits through the best utilization of the latest electric equipment. General Electric Company, Schenectady, New York.

THIS IS NO. 100 IN A SERIES RELATING SOME OF THE OUTSTANDING RESULTS OBTAINED BY THE PROPER APPLICATION OF THE LATEST DEVELOPMENTS IN ELECTRIC EQUIPMENT

**GENERAL ELECTRIC**



600-5

# BUSINESS WEEK

June 15, 1940

## THE BUSINESS OUTLOOK

**Consumer goods lines show signs of moving up into balance with heavy industries and building activity supports feeling of confidence. But bad war news must be reckoned with in appraising outlook.**

THE SHARP RISE in the stock market this week is by no means conclusive that a broad advance in business is under way; but it is highly suggestive. It is recognition, finally, that accelerated buying of munitions by the Allies and the expansion of the domestic defense program are bound to stimulate activity in the heavy goods industries. And this time, unlike last September when the war first broke out, there is no doubt that the purchasing will go on. The airplane factories, the machinery manufacturers, and the steel producers will be busy for many months.

### Steel Is "Going Some"

Even if the Allies are forced to surrender, which is not in the immediate offing (the Battle of France must first be lost and won), this country's arms program will carry on. With the heavy industries operating at high levels (Cleveland Regional Outlook, page 14), it is difficult to conceive of any serious business relapse. At this juncture it's worth while going back to an overworked, but still useful fundamental: "As steel goes, so goes the country." And steel, as the figures show, went up again this week—to 84.6% of capacity. And that, as any steel man will tell you, is "going some," inasmuch as in the last ten years the industry averaged less than 50% of capacity.

### But Business Is Not Balanced

As yet, our economy is not nicely in balance. The big load is still being borne by the heavy industries. The consumer goods products—leathers, textiles, etc.—are still lagging. But this waywardness ought not to last much longer. As the result of increasing payrolls for ordnance, consumer income payments have stopped declining and have actually shown signs of rising modestly (Outlook Chart).

This means, of course, an expanding capacity to spend, and should be reflected in the volume of goods that is moving over retail trade counters. Already, buyers for large department and chain stores are shopping for merchandise, and production in the lighter lines may be quick to turn around.

However, the prospect is not clean-cut.

There is no assurance that the heavy industries will lift up consumer goods production and that, thereafter, the two basic branches of the domestic economy will move side by side in an upward course.

Although the stock market's rise this week suggests this, a possible crack in securities prices on another German break-through is to be reckoned with. This possibility raises a question: Will a bad decline in the market so shake business confidence as to set in motion a deflationary cycle? The tentative answer is: Probably not, because the heavy industries would still serve as a cushion against a break in business; but

the shock would be severe—that should be realized.

Moreover, confidence seems to be resting on a shock-resistant foundation, as current building figures indicate. Total construction contracts awarded in May surpassed those of the corresponding month of the preceding year for the first time in eight months, and residential building for owner occupancy was up quite sharply over April, indicating that ultimate consumers are not afraid to take on mortgages.

### Homes Started at High Level

This is affirmed by FHA data on new homes started. Work began on 3,581 new dwellings in the week ended June 8. It's true that this was a drop from the all-time high level of 4,125 in the week ended May 11, but seasonally the decline was not out of proportion or sufficiently large to warrant the conclusion that the German approach to Paris had

### IN THE OUTLOOK—CONSUMER BUYING



So far, the main load in the current business upswing has been carried by the heavy industries. But there's a good omen for the lighter lines in last month's slight upturn in consumer income payments—which comprise wages, salaries, dividends, interest, profits, and all other forms of spendable receipts. With payrolls expanding in the capital goods industries, it follows that workers will feel better about spending—and this should assert itself in an upward pull on department store sales (which, as the chart above shows, have been declining since December). Result: The output of clothing, shoes, cotton cloth, textiles, and so on, ought ultimately to turn around, thus helping to broaden the recovery. Department store sales, therefore, constitute a good indicator to watch.

caused prospective home builders to call off commitments.

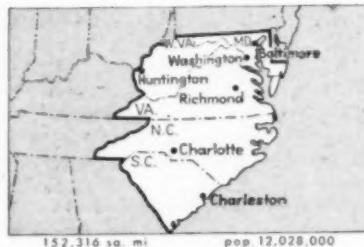
And the strength in construction goes far beyond residential building. Factory and commercial building contracts awarded continued to enlarge their gains as compared with 1939; furthermore, private capital is bearing the brunt of the burden. In May, privately-financed con-

struction reached the highest level since the figures were first compiled in 1932—\$217,000,000, constituting two-thirds of the total of \$329,000,000. In contrast, at this time last year, construction under private ownership amounted to only 54% of total contracts awarded, and publicly financed projects to 46%.

This signifies, of course, an increased

willingness of private capital to go to work, and it all fits into the general prospect for expansion—especially since the expansion is virtually being underwritten by the government's arms effort. So unless you can feel sure that the Allied resistance in Europe will collapse soon, it would be unwise to discount the current recovery too sharply.

## The Regional Business Outlook



**CLEVELAND**—Now is the time when retail sales in this district ought to expand. Offsetting the drop in the stock market, the rise in the steel rate—from 55% of capacity to 85% in two months—has restored confidence as well as employment, and consumers here are again opening their purse-strings.

Sharpest impact will be in the Pittsburgh-eastern Ohio area. There the steel mills and coal mines are closely concentrated and carry greatest weight over the retail counter. Elsewhere in Ohio, where machine tools, machine shop, electrical equipment, auto parts, and aircraft supply manufactures are predominant, business has held at high levels since last fall. Hence, both the spring decline and the current up-swing in business have not exerted as great an influence on payrolls.

### Plant Expansion Under Way

Expansion in the metal-working industries is being held back by lack of capacity. Contracts for factory additions are increasing and building engineers are busy. Another bottleneck is the shortage of skilled machinists and die makers. Moves for extending labor training facilities have been made in this city and the Dayton-Cincinnati district.

So far this year, farm income has been running about 5% ahead of last year, both in Ohio and eastern Kentucky. Above-normal spring rainfall not only has raised prospective wheat, corn, and feed crop yields but also has improved pastures. With prices of most agricultural products running at or higher than a year ago, farm income will probably continue to hold well above 1939 levels.

**RICHMOND**—Operations in this district's major manufacturing industry—cotton textiles—have declined more than seasonally in the past month. Weakness in raw cotton prices has merely aggravated the weakness in demand for cloth. And the suspected overstocking by middlemen has led to the predicted tapering off in schedules (BW—Mar 16 '40, p14).

### Modest Ordnance Demand

Military orders for cotton goods are not likely to provide an important volume of business. Indeed, this area is not apt to fall heir to any big amount of U. S. or Allied buying. Of course, steel output at Sparrows Pt., Md., has been directly stimulated, and coal production in West Virginia has risen in response to the expanding requirements of the steel industry. Also, along the Virginia coast and elsewhere, new air bases, increased shipbuilding activity, and other military preparations will boost employment and payrolls; but these gains will not bulk large in income totals here.

Possibly the chief beneficiary of the defense program will be metropolitan Washington. In the coming months, government payrolls probably will rise, and hotel and tourist trade should gain from the large influx of business men.

Retail sales in the Carolinas continue ahead of the average district gain over 1939. But tobacco income prospects are unpromising (BW—May 18 '40, p14), and now cotton textile payrolls are falling. Unless there is a reversal in either of these dominant sources of income, trade activity in the Carolinas may tend to lag by autumn.

**TWIN CITIES**—People in this Reserve district are much more concerned about what happens to farm prices than to the steel rate. And the recent declines in wheat have more than outweighed the mild stimulus to mining, manufacturing, and the tourist trade derived from the upturn in the nation's industrial activity.

This spring, farmers increased their plantings when the grain was quoted above a dollar. Favorable weather helped, and the crop now is estimated at approximately 175,000,000 bu. or about 20% more than the 1939 harvest. After that good start, however, the sharp drop in quotations, following the successful military thrust into Flanders, wiped out a paper profit of some \$35,000,000. Even so, cash receipts this year should exceed 1939 by 20%.

### Resorts Get Lift

Although the possibility of a sensational year in wheat has now disappeared with the dollar quotation, live-stock and dairy marketings have been running somewhat better than last year. As a result of the European war and improved industrial activity in the populous communities of the Chicago area, tourist trade probably will expand in such Minnesota resort areas as those around Brainerd, Alexandria, Bemidji and the north shore of Lake Superior, and in Hayward and Eagle River, Wisconsin.

Big gun of the district is mining. Every rise in the steel rate emphasizes the need for iron ore from Mesabi (BW—May 18 '40, p48). Around Butte and Helena, Mont., copper production is up with prices, and operations are running some 50% ahead of 1939.

## Washington: Almost a War Capital

**Defense activities give city an aspect recalling 1917-18, or the NRA days. Administrative accent is on production, while Congress rushes through tax program.**

**WASHINGTON (Business Week Bureau) —** With the Nazis at Paris and the Fascists at France's back door, the tempo in Washington is reminiscent of NRA and World War Days. Already stepped up by the speedy organization of the National Defense Commission and the attempt of anxious Administration leaders to shoo Congress out of the trenches on Capitol Hill by June 22, the tension rose to a new high with Mussolini's declaration and Roosevelt's "Stop Hitler" attitude.

The President's call for a "speed-up" in material aid to the Allies and preparation of our own national defense left a sense of expectancy. It would be almost true to say that nobody here will be greatly surprised if Roosevelt soon declares a full national emergency. Psychologically at least, that would put Washington on a war footing. Last fall's declaration of a "limited emergency" has been commonly regarded as a misnomer that left many loose ends.

Boosted to \$5,000,000,000-plus this week, the money voted for defense is regarded by Roosevelt as plenty for the time being. The job is to get production. There's no real doubt that the Stettinius-Knudsen combination has been given a free hand but it's equally noteworthy that they are not throwing their weight around.

### Tax-Overhauling Idea Persists

Army and Navy planning and procurement officials like the cooperative stance of the big industrial executives. Both are organizing executive staffs and handling dozens of business callers who want to know where they fit in the program. Highlight of the week was the report of Ford's plans for airplane engine production, projected by Edsel Ford's conferences with Knudsen. Other industrial groups which conferred with the Knudsen-Stettinius organization, either for the purpose of offering their cooperation or actually to coordinate their production facilities for the output of armament included steel, manganese, railroad, telephone, drugs, food products.

Only the tax angle of defense directly affected business as a whole. The House bill carrying \$1,004,000,000 in increased levies may be all that will materialize—but the House proposes, the Senate disposes. Chairman Harrison of the Senate Finance Committee would prefer, in accord with White House wishes, to wait until the next session, either in the fall or next spring, for a general overhauling

—involving the ticklish issues of excess-profits taxation and amortization of plant built for war purposes. Harrison takes his stand on the assertion that "we are not at war yet." History shows that the time is never ripe for coming to grips with this unpleasant tax problem until too late, but La Follette, Townsend, and other outspoken Senators may keep the ball rolling now. They are aided by spreading sentiment among Democrats as well as Republicans on Capitol Hill in favor of staying on the job with at most a 30-day recess for the conventions.

The House pushed its tax bill over the billion mark by a 1% increase in the corporation tax schedule—adding \$77,000,000—and by stepping up the individual surtax schedule to add \$277,000,000. The latter is coupled with a broadening of the income tax base, reducing exemptions for married persons to \$2,000 and for single persons to \$800. The corporation tax schedule would start at 13% on \$5,000 of net and climb to 19% above \$25,000. The individual surtax levy would boost the rate from 5% to 6% on \$6,000 net with progressive increases in rates to 56% on \$90,000 net, but with no change in present rates on incomes over that figure. The 10 per cent supertax on individual and corporate incomes, which was the original proposal, plus numerous excise tax increases, would yield about \$650,000,000.

The defense appropriations include various features that will tend to speed production of armament, military and naval construction. The President will be empowered, for example, to award contracts without advertising or competitive bidding for machine tool and other equipment, and to take priority over other deliveries for use inside and outside the United States. The President also will be authorized to curtail or prohibit export of military equipment or munitions, machinery, tools, and materials necessary in manufacturing and servicing them. Practically speaking, however, our own national defense still is subordinated to the exigencies of the Allies and noisy opposition in Congress to the President's trade-in plan on "obsolete" planes and munitions quickly collapsed when Mussolini cast the die.

### Far-Reaching Powers Given

The Secretary of War will be empowered to purchase land, build plants, and manufacture military equipment, munitions, and any and all kinds of supplies necessary for national defense. An attempt to hedge such broad authority failed when the Senate rejected an amendment by Danaher of Connecticut to confine government manufacture to critical supplies.

Indications that the WPA program would be rapidly drawn into the defense picture became obvious this week when priority was given to a list of 73 WPA projects at navy yards, military reservations, and civil airports. These projects will cost the federal government over \$27,000,000, supplemented by \$8,000,000 which local sponsors apparently are willing to contribute. A large portion of WPA's billion dollar appropriation for the next fiscal year will go to airport and highway construction in any case.

### This One Means Business



One of 329 light tanks for national defense rolls off the production line at American Car & Foundry Co. All

told they will cost \$6,000,000. Baldwin Locomotive Works has a small educational order for similar units.

## Mare Nostrum Joins the Blackout

**Italy's war entry shuts off 5% of U. S. exports, 7% of imports; hits six American ship lines. Biggest loss is in sales of autos, machines, and farm products.**

PORTUGAL is sometimes called the "balcony" of Europe, projecting as it does far out into the Atlantic from that cluttered place which Europeans call home. Yet, this balcony, and the bit of Spain which also fronts on the Atlantic, were all that was left of Europe this week for Americans to trade with freely. Italy's entry into the war closed the Mediterranean (Il Duce's mare nostrum) to Americans and to American shipping.

After nine months of war, but particularly after the shocks and surprises of the last month, American business accepted quietly the news of Italy's entry into the war. Many weeks of threats and postponements had paved the way. Although the President reflected widespread resentment when he referred to the attack on France as a thrust in the back, business was concerned more soberly with interpreting the long-range effects on the outcome of the war and on the American economy.

Actually, extension of the war to the Mediterranean, with the immediate ban on American shipping, involves less than 5% of American exports and a bare 7% of our imports. Italy is our only really big export market that is lost. Our sales to Mussolini's empire last year amounted to nearly \$60,000,000, while we bought \$40,000,000 from the Italians.

The Spanish market is our next stronghold, though it is much smaller and not yet completely cut off, for we can deliver in our own ships to Spain's Atlantic ports—Cadiz, Vigo, Coruna, Santander, and Bilbao—unless Mussolini drags Franco into the war. Of course, Spain's biggest port—Barcelona—is inside the new blackout zone.

### American Shipments Suffer

After Italy and Spain, our only other really important Mediterranean markets have been Egypt, Turkey, Palestine, Greece, Rumania, and Switzerland, which has recently been served almost entirely by way of Genoa. Biggest loss of business will be in our sales of automobiles and machinery, with farm products a close second. Italy's biggest purchases in the United States in recent years have been cotton, oil, and scrap iron.

Six American shipping lines are hit by spread of the war. Biggest is the American Export Lines, whose 26 ships have maintained a regular passenger and cargo service from the Atlantic coast to Mediterranean and Black Sea ports stretching from Tangiers, outside Gibraltar, to Con-

stanza and Odessa beyond the Dardanelles. The American Presidents Line will be forced again to route its round-the-world boats around Capetown. Three freight services—Lykes Brothers, Waterman, and the Isthmian Line—are expected to shift to the same longer route. The United States Lines will simply discontinue the temporary (and not very profitable) service which has been maintained between New York and Genoa. Our shipments of goods to and from the whole Mediterranean area—like the rest of Europe—has already become dependent on foreign shipping lines.

A number of vital imports originate in the blacked-out region. Of Washington's strategic materials (BW—June 8 '40, p51), three—mercury, chromium, and manganese—come from this area. Italy and Spain have a virtual world monopoly on mercury; the world's richest developed manganese mines are in the Soviet Union near the Black Sea; Greece and Turkey

both supply chrome ore, though important supplies reach the United States from South Africa and the Philippines.

The most important year-to-year imports from this region on a purely commercial basis are tobacco (from Turkey and Greece), long-staple cotton (from Egypt), cork (from Spain and Portugal), and olive oil (from Italy and Spain).

### Gambling on Quick Issue

The long-term effects of Italy's entry into the war can only be guessed now. Unless Italy's navy and air force can break the British blockade at Gibraltar or Suez, Mussolini has cut himself off from nearly three-quarters of his normal supplies of raw materials. At home, his reserve stock of ordinary industrial supplies can't last more than two months. Germans themselves admitted this week (page 53) that Italy will quickly become a military liability unless the blitzkrieg on France and Britain works according to schedule.

For the moment, of course, Mussolini's military strength will be an important factor, for, by shutting off French and British shipping through the Mediterranean, Italy cuts France off from its biggest oil sources, Syria and Iraq, and Britain is prevented from hauling away the oil and other Balkan products it has bought to keep them away from Germany.



*For two months the staff of the Department of State worked overtime advising the President on how to keep Italy out of the war. Now that Italy is in, the staff is working overtime trying to find an answer to the foreign trade dilemma posed by the closing of the United States' last important free trading area in Europe that reached through the Mediterranean. Talking the problem over with Secretary of State Cordell Hull, starting at his left, are Under Secretary of State Sumner Welles, Assistant Secretary of State Adolf A. Berle, Jr., Legal Adviser Green H. Hackworth, Assistant Secretary of State Henry F. Grady, Assistant Secretary of State Breckinridge Long, and Counselor R. Walton Moore.*

## Integration Defined: It's Disintegration

THE SECURITIES and Exchange Commission this week made the first concrete and significant statement ever issued about enforcement of the "death sentence" in the utility holding company law. The SEC said, through one of its subalterns (it may still be a trial balloon), that geographical integration means disintegration of all the big public utility systems.

The official attitude—it couldn't have been stated even experimentally without the commission's approval—was brought out by Frank Field, a lawyer in the utility division, in an open hearing on the status of Cities Service Power & Light Co. He said it might be possible for the company to establish that its Rocky Mountain properties (mainly in Colorado) constituted an integrated property. Perhaps it would be able to establish the same for its properties in northwestern Ohio.

Then the bombshell. Mr. Field said that the company might elect to retain one or the other of the integrated properties, but not both. If the SEC is committed to that principle, it has decided upon regulation as drastic as anything envisioned by the utilities at any time since the law

was added to the books five years ago. It would mean that every single one of the nine holding companies called upon to present integration plans would have to cut loose many if not most of its properties (see maps of the systems, *BW* — May 25 '40, p24).

Since requested to take such action by United Gas Improvement, the SEC has promised to issue tentative integration plans for several of the holding company systems. Inasmuch as all such plans will be tentative, lacking the force of orders, they can't be taken into court because they won't deprive the holding companies of any rights or properties. Likewise, Mr. Field's thoughts about Cities Service properties weren't orders.

In making "suggestions," the SEC is sticking to its longstanding strategy, which is pretty conclusively one of worrying the holding company systems into compliance with proposals.

The utility executive, confronted with this policy of "suggestions," has felt: "I'm damned if I do, and I'm damned if I don't." And the SEC is just waiting for one of them to say: "I'll be damned if I will."

ceivership jump in 1927 when all their franchises expired and all their bonds came due with refunding impossible due to lack of franchises. But the surface lines are solvent enough in every other respect; they have paid all first-mortgage interest punctually and have paid off enough bonds to reduce the total outstanding from \$91,000,000 to \$73,000,000.

The surface lines always have wanted to go it alone. They didn't want the "L" sapping at their earnings, and they didn't want to pay the price for the motor coach lines. But Mayor Kelly kept saying, "No unification, no franchise." That put it up to everyone to make concessions.

### Orders for Equipment-Makers

Early last year the "L" and the surface lines agreed to a merger plan. Ever since, negotiators appointed by the federal court have been horse-trading with bondholders' protective committees and the city council. Out of this comes a specific agreement on major points for a new franchise requiring the company to pay the city from 1% to 3% of gross revenues—\$600,000 to \$2,000,000 a year—depending on earnings.

Another point in the accord, and one which promises to give equipment-makers a nice lot of business, stipulates expenditures of \$60,000,000 in the first three years and another \$42,000,000 over the succeeding five. First orders would be for some 500 lightweight, high-strength alloy cars to travel through the tubes now being driven under downtown streets and on their elevated continuations. Also, the "L" would be provided with block signals and automatic trip equipment, along with a bagful of incidentals.

For its surface operations, the company would immediately order 1,000 new street cars and 500 new motor buses, converting a quarter of street car mileage to bus operation. At the end of this three-year program, the company would order another 500 elevated-subway cars and 1,000 street cars or buses.

### RFC Will Have to Help

Assents to this plan will be had without argument from securities holders, the federal court, the Illinois Commerce Commission, and the Public Works Administration unless the city council slips some jokers into the new franchise. The whole deal then would hinge on a loan of \$25,000,000 or a bit more from the Reconstruction Finance Corp. No formal application has been made for the loan, but preliminary discussions indicate that it is in the bag if all the other parties carry out the plan.

PWA, which has earmarked \$18,000,000 to build the subway and has put up only \$5,000,000, has a hammer-lock on the city fathers. Not only can the lending agency hold up the additional funds, but it can hold up the city's own subway money. This it threatens to do if the aldermen don't pass a workable franchise.

## Two Cities Make Transit History

**New York and Chicago seem to have solved problem of unification, the former with public ownership, the latter with pay-own-way plan.**

AFTER A DECADE OF WRANGLING about a wide variety of proposals—each one more intricate than its predecessor—the country's two largest cities seemed at last this week to have solved the vexing problem of how to achieve rapid transit unification. The last step in New York came at one minute before midnight Tuesday when the Interborough Rapid Transit Co. formally passed to the city. In Chicago, it seemed certain that approval of all parties would be forthcoming if the city council could get together on an acceptable franchise ordinance—and the council, after 13 years of bickering, at last is believed to be ready.

The problem has been solved in New York—if indeed municipal ownership can be accepted as the solution—by the city taking over all the privately-owned properties and uniting them with its own "independent" system. That involved payment of approximately \$175,000,000 for the Brooklyn-Manhattan Transit properties, acquired formally on June 1, and

\$151,000,000 for the I.R.T. system, taken over this week.

Chicago's approach to unification has been quite different from that of New York and other major cities. In the Windy City the idea has been that the transit operators must pay their own way and, in addition, give the city something for the privilege of running their cars on, over, and under the streets.

Of passengers in public conveyances, 77% of Chicagoans ride in surface cars at 7¢, 17% on the Elevated at 10¢, and 6% in motor coaches at 10¢. Successive generations of aldermen have been elected on promises to merge the systems, provide universal transfers free. But promises haven't held up in the face of knotty problems involved.

The motor coach company is a sweetly profitable property owned by the Hertz interests. The "L" has been bankrupt for years, shows no signs of being able to earn its operating costs and taxes. Chicago Surface Lines took a friendly re-



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In the Southwest and on the Pacific Coast, tourist courts have prospered greatly. Like Casa Linda in Gal-

lup, N. M., many have become highway hotels, with second stories, dining rooms, and curio shops.

## America Takes to the Motor Court

**Tourist camps become big business—and in the grand manner, complete with new comforts and conveniences. Will gross \$300,000,000 this year.**

LAST WEEK, when American hotel operators celebrated National Hotel Week with one eye cocked happily at the best business prospects they've looked forward to in ten long, lean years (BW—Jun 8 '40, p. 27), most of them were keeping the other eye on the Banquo's ghost at their feast—the auto court industry. Hotelmen know that if their business never gets back to where it was in the golden twenties, America's 20,000 auto courts will be responsible.

Today's thriving auto court industry springs from the lowliest of low beginnings, dates back a quarter of a century to some forgotten farmer who first knocked a couple of spare chicken coops together, added an iron bedstead and straw mattress from the attic, and hung out a shingle, "Tourists Accommodated." Earliest camp actually on record—a half-

dozen board shacks—was put up in 1913 by the town of Douglas, Arizona, to take care of motorists who had become a nuisance to its citizenry.

To a good many people who don't get around much on the nation's highways, particularly to a good many Easterners, an auto court is still a tourist camp, and a tourist camp is still what it was 25 years ago—a collection of squalid shacks, offering cheap accommodations to large families in little cars. It isn't generally realized that the auto courts have become big business—and in the grand manner, complete with tiled baths, stall showers, innerspring mattresses, and room service. That some of them, such as the Coronado Courts at Galveston, cost as much as \$350,000 to build. That new courts are being built at the rate of 800 a year. That the "take" of the whole industry is ex-

pected to exceed \$300,000,000 this year. That, according to industry estimates, the average tourist court translated 36.8% of its gross into profit in 1938 (which compares with a 1% figure for the hotel industry) and earned 12.5% on an average investment of \$35,625.

The auto courts have flourished most handsomely along the transcontinental highways—U. S. 30, 40, 50, 60, and 66—and along the north-south routes of both coasts—1 and 11 in the East, 99 and 101 in the West. In California, where a year-round tourist trade makes a heavy investment profitable, they have attained the ultimate perfection of swimming pools and air-conditioning. Throughout the entire Southwest, where it is a long jump—and a dry one—between cities, spacious structures can be found on the outskirts of almost every little town.

### Providing Sales Opportunities

To producers of building construction materials, linen, plumbing fixtures, furniture, and electrical equipment the auto courts represent a new and steadily growing market. Their total investment in furniture runs to about \$50,000,000 and in plumbing and bath fixtures about \$37,-



Tiled bathrooms and tastefully decorated bedrooms, complete with telephones and carpets, are becoming the rule, rather than the exception, in the 20,000 U. S. auto courts—which represent a lucrative market for sup-



pliers of plumbing, furniture, linen, and electrical equipment. Tourist Court Journal recommends that no court be built today at an initial cost of less than \$50,000. Radio market is almost untapped.

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6-49

000,000. They use 560,000 beds and mattresses (403,200 of them innerspring), 40,000 air conditioning units, 245,000 gas stoves, and over 100,000 fans. So attractive are sales opportunities that such big suppliers as Simmons Co. (mattresses) are creating special divisions to service the auto courts. Almost untapped is the market for radios, which have been installed in only 8% of all auto courts.

#### Industry Resents Charges

Like every other business, even the thriving tourist court industry has its troubles. Biggest one at present is the widely-circulated rumor that the majority of auto courts are hotbeds of crime, harboring prostitutes, degenerates, and fugitives from justice. G-Man Hoover gets credit for starting this trouble with an article last February in which he dubbed the tourist camp a new home of "disease, bribery, corruption, crookedness, rape, white slavery, thievery, and murder." According to Hoover, crime has flourished in the auto courts because they are usually outside city limits and exempt from municipal jurisdiction and police supervision.

What the motor court industry particularly resents is the fact that even when Hoover and other critics make an exception for reputable camps, they count these camps only in hundreds rather than thousands. The *Tourist Court Journal*, official organ of the International Motor Court Association with its 2,024 members and affiliates, estimates the number of first class courts at 5,000, of which 1,000 are de luxe. This tallies with the judgment of the American Automobile Association, which lists 3,200 out of the 9,600 courts it has inspected as acceptable. Around 1,000 of them—A.A.A. affiliates—are unreservedly recommended.

The entire tourist court industry is aroused by reports that hotels are circulating copies of the Hoover broadside,

handing reprints to departing guests with their bills. Because the better courts believe their position is too secure to be seriously shaken, the *Tourist Court Journal* has contented itself with pointing out that the FBI has been known to get its man in hotel rooms also.

Several years ago, hotels toyed with the idea of actively combating the motor court menace. A report on tourist camps by Frank Zimmerman—free lance scout for oil and supply company outlets—was submitted to hotel men at their association's annual convention in 1935. Zimmerman's report, probably the most thoroughgoing ever made, listed 16,411 auto camps, with 166,062 cabins. Although, like J. Edgar Hoover, Zimmerman highlighted juicy instances of camps which harbored criminals, and others which customarily turned down respectable tourists with luggage for the more-profitable "couple" trade, he also cited cases of first-class courts which asked and got, as high as \$9 a night per cabin—from tourists who formerly had been the hotels' customers.

#### Aided by That "Ill Wind"

While the automobile gets the credit for creating the motor court industry, it was the depression which made it the booming business it is today. When hard times hit, tourists gravitated naturally to its lower prices and greater informality. Not only did the courts offer a cheaper place to sleep, they did away with such extras as garage bills, and tips. And because much of the depression-bred trade had been accustomed to first-class hotel service, a higher standard was set for the new industry.

Price remains the tourist court's big selling point, but convenience factors have also played their rôle. Since the courts are usually on the outskirts of town, a motorist doesn't have to buck downtown traffic to find a Main Street



A shady lawn where "folks" can relax is the biggest drawing card of many auto courts. Like the Hermosa at Carlsbad, N. M., most courts have garages alongside the cabins.



#### CARRIER SELF-CONTAINED WEATHERMAKER

7 sizes provide cool comfort and cool profits for every size of store

- 1 Money saving sub-cooling
- 2 Separate motor cooling
- 3 Extra large filter area
- 4 More cooling effect
- 5 Flexibility of location
- 6 Working parts easily accessible
- 7 Simple operation, quick adjustment
- 8 Water economy
- 9 Sound proofed for quiet
- 10 Smart, easy-to-clean styling
- 11 Performs all air conditioning functions
- 12 Direct connected motor and compressor
- 13 Compact—takes little floor space
- 14 Easily installed or moved
- 15 Provides for year 'round comfort
- 16 Carrier engineered, made and tested
- 17 Carrier service available everywhere

## ... with 17 *Extra* Quality Air Conditioning Features

INTERPRETED in terms of what they mean to you, the quality features of the Weathermaker spell more comfort, greater dependability, a better investment . . . mean profitable air conditioning.

★ **Sub-cooling** — the extra capacity built into a Carrier Weathermaker—means you get more cooling for customer-comfort even on the hottest day, without increased power and operating costs.

★ **Extra large filters** mean cleaner air. And that means lower cleaning costs in your store, less merchandise soiling.

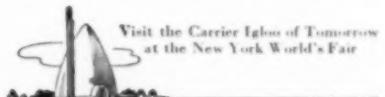
★ **Ease of installation** is important too. No structural changes are necessary. If you ever move your business the Carrier Weathermaker moves with you—easily.

In addition to cooling and cleaning the air, the Carrier Weathermaker removes excess moisture and provides gentle, draft-free circulation. All its functions are performed in one cabinet.

Appearance, compact size, performance, economy—every other Carrier feature is a profit feature too—for each helps to make

your air conditioning investment pay bigger returns. Carrier Engineering is backed by 38 years of air conditioning experience, yet it costs you nothing extra.

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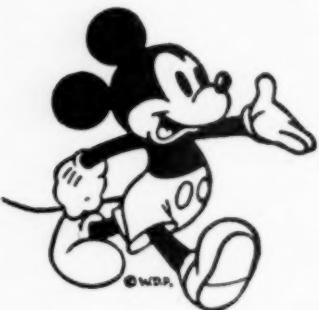
ADDRESS.....

**Carrier**

AIR CONDITIONING'S *First Name*—

# How Mickey Mouse joined our family

by Westinghouse



• "Plastic dishes with pictures of Mickey Mouse—how in the world did Westinghouse get into that line?" asked a buyer. Well, it's an odd story, showing how the logic of production sometimes leads to surprising answers.

• Among the many electrical products that we make are the outlets, switches, plugs, fuses and other little connections needed in a wiring system. They are known as Bryant and Hemco wiring devices, and are made in our factory in Bridgeport. In 1928, when the amazing possibilities of plastics were startling industry, we took over a nearby plastics plant to mould these various devices.

• The capacity of this plant was greater than our needs, so we either had to cut it down or find new uses for plastics. About that time, scientists created new plastics in vivid, rainbow colors—marvelously suited to tableware, toys, smokers' fittings and hundreds of such things. It seemed a long jump from dynamos and motors, but we had the plant and the plastics, so we plunged into the new field.

• Famous designers went to work—skilled tool makers made

hundreds of new dies—we hired salesmen who knew dishes and tumblers rather than switches and plugs—and almost before we knew it, had an important new business on our hands.

• Our first big hit was with children. They were delighted with fascinating dishes decorated with pictures of Mickey Mouse, Snow White, and other lovable people who live in story books. We have sold millions of dishes glorifying Mickey and his gang! And millions of gaily colored spoons, plates, tumblers and kitchenware, all identified by the well known names they bear—Hemcoware or Safetyware. That ashtray on your desk, the plastic housing of your new electric razor or the beautiful plastic cabinet of your bedside radio—they probably are all of our make.

• Today, this plastics plant is busy with orders from chain and department stores from all over the country...from sales organizations who use these products for premiums and novelties...and from manufacturers who are using plastic parts in their products.

• To us Westinghouse people, trained as we are to do years of research before launching a new electrical product, this overnight success that seems almost to have come out of the air, is startling and refreshing. Actually, of course, it did take a lot of planning and good team work—but still, it's fun to look back and see how Mickey Mouse came to join the Westinghouse family.

parking space. If the auto court visitor wants to use his car in the evening or go back to it for more luggage, it's always handy—usually parked right alongside his cabin. Finally, tourist camp patrons are spared the embarrassment of trudging, tired and dusty, into a central lobby.

For tourists who plan a stay-over, or for those who want to economize on food or make up the baby's formula, the majority of courts have cooking facilities in about 10% of their units. Individual courts have thought up such services as cool lemonade for new arrivals, coffee and doughnuts, with the compliments of the management, at five in the morning, for the driver who believes in getting an early start. The green lawns and shade trees and the absence of downtown traffic noise have a lot to do with bringing in the trade.

## Balance of Trade Shifts

Proof that price is not the auto courts only drawing card is the fact that many of the best ones today ask hotel tariffs—and get them. In a survey of its membership, the A.A.A. found that in 1937, 61% used hotels when traveling, 12.5% patronized motor courts or camps, and 22.5% looked for tourist homes. In 1939, the percentage using courts had jumped to 26%, while hotel patronage had decreased to 46%.

The auto courts have created a new travel etiquette. In hotels, the husband and father registers for his party, which is assigned a room, sight unseen. In the auto court, it's more likely to be the woman who makes the arrangements, going from cabin to cabin, feeling mattresses and investigating plumbing.

Actually, the auto court represents more than a different mode of accommodation. It stands for a new way of life in tourism—a way that combines convenience, inexpensiveness, and informality in a formula that is definitely clicking.

## Freight Pooling Urged

N.Y.C. offers plan for roads' own forwarder service; Pennsylvania promptly opposes.

WASHINGTON (Business Week Bureau)—Into Senate hearings looking eventually to regulation of freight forwarders by the Interstate Commerce Commission, the New York Central has injected a proposal for pooling of merchandise freight as a means by which the railroads themselves could offer complete transportation service, including pickup and delivery.

Revival of the pooling idea, which was put forward several years ago by Joseph B. Eastman when he was Transportation Coordinator, encountered immediate resistance from the Pennsylvania Railroad, whose revenue from less-than-carload

height is 13% of the total revenue of all Class I railroads from that source.

Thomas P. Healey, New York Central's general solicitor, insisted that present duplication between railroad I.c.l. and forwarder rates and services can't be eliminated, even with workable regulation of forwarders, unless substantial changes are made in the railroads' own handling of the traffic. Under Healey's plan, regional railroad-controlled agencies—analogous to the Railway Express Agency—would operate over railroads, highways, and waterways subject to regulation as common carriers.

#### Rate Adjustments Considered

Compulsory pooling of I.c.l. traffic would end in the public's paying higher rates for poorer service, according to J. F. Deasy, Pennsylvania's operating vice-president, who contended that pooling would kill the initiative of individual roads. Deasy asserted that the Railway Express Agency is a failure and should be abolished.

To make the railroads' I.c.l. service more attractive to shippers, Walter S. Franklin, Pennsylvania's traffic vice-president, informed a Senate Interstate Commerce subcommittee that eastern roads are actively considering two innovations whereby: (1) a new level of rates, known as "quantity" rates, would be sandwiched in between present carload and I.c.l. rates; (2) a large number of commodities which are of high weight density and load economically, but which are now rated first or second class, would be lowered to third class, with a corresponding reduction in costs to shippers.

#### Co-op Gets Its Oil

New refinery survives what it calls a pro-ration squeeze play; supply now seems assured.

CONSUMERS Cooperative Association (wholesale) of North Kansas City, Mo., is famed in the co-op world for many "firsts." These include establishment of a plant for manufacturing paint, another for compounding lubricating oils and greases, and more recently an oil refinery and pipe line (BW—Feb. 13, p. 20). Now the association is reluctantly obliged to add another first to its list. It has just emerged from what it calls the first crude oil squeeze play ever to be enacted with a co-op as the "squeezee."

Mid-Continent oil men sensed trouble in store for the co-op and its affiliated retail interests in January when Standard (Standard Oil of Indiana) proposed to extend its gathering pipe line into Ellis and Rooks Counties, where the co-ops had hoped to have a clear field. Within a week or two after its grandiose dedication, the world's first complete co-op oil refinery was obliged to shut down. Today the refinery is operating at full capacity

WHERE

# PERFORMANCE IS A MUST



One of the 46 12-blade Sturtevant **SKF**-equipped Silentvane Fans used in ventilating the new Queens Midtown Tunnel. The 82 Westinghouse Motors driving these fans are also **SKF**-equipped.

#### SKF HELPS THE NEW QUEENS MIDTOWN TUNNEL BREATHE

Sometime in the Fall of the year, months ahead of schedule, the new Queens Midtown Tunnel under the East River between Manhattan Island and New York's Borough of Queens will be opened for motor traffic. And **SKF** Bearings, on the forty-six Sturtevant Fans and the eighty-two Westinghouse Motors that drive them, will help the tunnel Breathe!

Engineers who tackle such jobs as the ventilating systems of the Lincoln Tunnel under the Hudson River, the latest Queens Midtown Tunnel and



Phantom drawing showing the twin tubes of the new Queens Midtown Tunnel underneath the East River connecting Manhattan Island with the Borough of Queens. The **SKF**-equipped Sturtevant Fans provide a complete change of air every 42 seconds.

the Pennsylvania Turnpike Tunnels take no chances on bearings. They select them solely on the basis of performance. And this, in the case of the three tunnels mentioned, means **SKF**. Where Performance is a MUST so is **SKF**



**SKF**  
BALL AND ROLLER BEARINGS  
**SKF** Industries, Inc., Philadelphia, Pa.

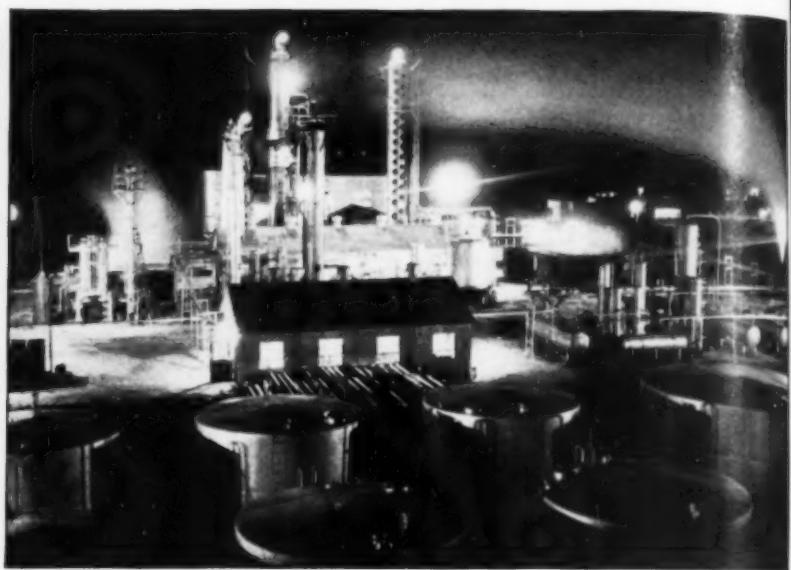
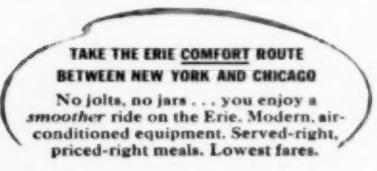


## HE'S "LOOKING INSIDE" STEEL RAILS

• He's the chief operator of one of the strangest devices ever known to man—the detector car that creeps over every inch of Erie track, testing electrically for internal rail defects.

Condition of track passing under the electric searching unit of this car is automatically charted on a record tape which unwinds before the operator's eyes. As suspicious spots are indicated, an automatic gun shoots white paint over the rail. Hand testing follows. And then come the repair crews to replace the rail if internal defects are found.

Interesting, yes...and important as one more evidence of the care Erie takes to give your freight safe, on-time delivery. But remember, when all your shipments are speeding east or west over Erie's direct lines, you can save money, too! Why not call the Erie Agent before your next shipment?



The Cooperative Refinery Assn. of Phillipsburg, Kan.—first consumer-owned refinery in the U.S.—is all lighted up now, but things looked dark last month. The refinery had

but C.C.A. officials admit the situation was tense and tough for a while.

Through its 450 retail affiliates in nine midwestern states, C.C.A. distributes approximately 50,000,000 gallons of refined oils annually. The refinery at Phillipsburg, Kan., and a 70-mile gathering pipe line extending south into one of the most promising shallow oil reserves in the nation, were designed to supply approximately 40% of the refined oils sold by the association.

Fearful of a recent pro-ration amendment to the Kansas oil code, which was bitterly but unsuccessfully fought by independent producers and refiners, C.C.A. officials held off construction of their refinery until they had received off-the-record assurances from state officials that, if necessary, producers connected to the co-op pipe line would be favored with special allowables in order to keep Kansas's newest refinery running at full capacity. But when producers who had hailed the co-op refinery and pipe line as salvation for northern Kansas oil fields suddenly switched over to cheer for and connect to a co-savior of the same oil fields—the Stanolind pipe line—state officials were reported to be very sorry but the law, they had just discovered, did not permit special allowables under any circumstances for the few operators who stayed by the co-ops. Then the fireworks started.

Injunction suits were brought against several owners of oil wells who continued to sell crude to the co-ops. The charges were that the operators had been producing more than their allowables (less than 1% of potential production). A rumor that the co-op refinery was buying

hardly gone into business (it was officially dedicated May 4) when it went out of business, two weeks later, because of pro-ration difficulties which shut off its oil.

hot oil was scotched by a federal investigator. In turn, C.C.A. considered bringing action against the Kansas Corporation Commission to force a show-down on the matter of granting of special allowables.

In the meantime, Globe Refining Co., an independent in McPherson, Kan., from which C.C.A. has been buying gasoline, and Sinclair Refining Co., which sells bright stocks to C.C.A.'s oil blending plant in North Kansas City, stood by their customer by connecting their own oil wells in Ellis and Rook Counties to the co-op pipe line. Simultaneously, Co-op Manager Howard Cowden announced that construction had begun on a 22-mile extension of the pipe line to serve 69 new wells, bringing the total to 106, which should assure ample crude for the refiner. The construction will cost \$45,000, which wasn't contemplated in the original financing plans.

### Pressure Gets Results

What finally turned the trick for the co-ops, according to insiders, was a letter-writing campaign. The refinery is owned by 6,000 individual members of local co-ops, the greater number of them living and voting in Kansas. Word was passed along to shareholders and 56,000 members of co-ops that are affiliated with C.C.A. that their refinery was in a bad spot, and that letters to Governor Payne Ratner (who comes up for re-election in November), protesting against the alleged inequalities of the pro-ration law, might get action. A barrage of letters was forthcoming. Coincidentally, there was action, too. Injunction suits were dropped against operators selling to

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C.C.A. Stanolind was reported to have withdrawn from several pools near the co-op pipe line. And finally, officials of C.C.A. accepted an offer to buy some crude from Stanolind's competitive pipe line until the extension of the co-op line is ready for pumping. The co-ops had earlier refused a similar offer of crude from both Stanolind and Kan-Pipe Lines.

The fight appears to have ended, but the co-operators aren't likely to forget the political lessons they learned and almost certainly they will be heard from when the legislature takes up the oil code again at the next session. At such a time, some of the dark rumors that have been circulated are likely to be presented by the co-operators as embarrassing revelations. For example: the co-op gossip that the promises made to the new refinery were conveniently "forgotten" at the suggestion of ex-Governor Landon who is charged with favoring private rather than co-operative operation in the Ellis-Roof County field.

#### Another Co-op Refinery Launched

Meanwhile, America's second co-op oil refinery—this one at Mount Vernon, Ind., on the Ohio River—started operating last month. With a capacity of 2,500 bbl. of crude each 24 hours, the new plant—owned by the Indiana Farm Bureau Cooperatives, Indianapolis—represents an investment of \$330,000. Of this, \$200,000 was for the refinery (a skimming plant), \$100,000 for a crude oil pipe line, \$30,000 for transport trucks and base.

A cracking unit for making first-grade gasoline will be added as the need develops. The skimming plant is now making low-octane gas, tractor fuel, and distillate.

## NATIONAL DEFENSE

### Machine Tool Industry in High

**Their self-regulation plan approved by the government, manufacturers buckle down to defense job, declaring there isn't and won't be any bottleneck.**

ON MAY 27 Secretary of the Treasury Morgenthau called machine tool builders to Washington and asked them: "How can you give us for national defense what we want when we want it?" By last week the machine tool industry had proposed a plan, had had it accepted by the government, and was already working under it to speed its part in the U.S. armament program.

The plan of self-regulation is simple. It calls for a Machine Tool Coordinating Committee of two members each from the Army, the Navy, and the industry, plus two neutrals. The top neutral, serving as chief coordinator, is General Motors' Knudsen. Actively in charge under him as vice-chairman is Studebaker's board chairman, Harold Vance. Representing the industry are two veteran leaders: Ralph Flanders, president of the Jones & Lamson Machine Company, and Howard W. Dunbar, vice-president of the Norton Company, both of whom are past presidents of the National Machine Tool Builders Association.

Main task of the coordinating commit-

tee is to decide the needs of the Army, Navy, domestic civilian customers, and foreign customers, and then set up priorities. The committee is assigned the difficult task of considering the creation of more plant capacity "if and when it is found necessary." It possesses no legal big stick to bash the heads of recalcitrants, must rely solely on cooperation of individual members of the industry. To give the committee immediate backing, the industry is putting into effect a policy of accepting all orders subject to priorities which the government may establish.

Crux of the plan is the industry's solemn pledge "to make deliveries of machine tools in time to meet the requirements of the government's program." And that means deliveries of upwards of \$200,000,000 worth of equipment. The plan was devised by the industry's defense committee, headed by Clayton R. Burt, president of the Pratt & Whitney Division of Niles-Bement-Pond Company, assisted by Army and Navy officials.

#### Thousands Being Trained

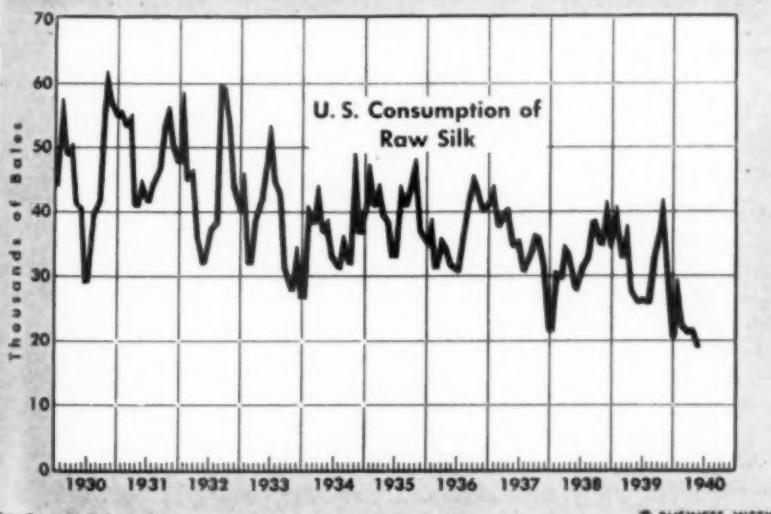
Most of the methods whereby the industry will see that the government gets what it wants on time are already in use. Working forces will be further expanded. Most companies now are on multiple shifts, the usual practice being to work two shifts 55 to 60 hours a week each. A few builders are operating three eight-hour shifts. All the available skilled men have been grabbed up. Thousands of youngsters now are being trained as apprentices or "learners" (under a quick training plan by which green hands are stationed with experienced machine operators until they "get the hang").

Sub-letting of parts is general. Many firms have 15 to 25 companies doing work for them. At least four companies are having complete machines built outside their own factories. For this assignment, much of the idle capacity in the printing machinery industry has been taken. The precise technique and the machinery used are akin in the machine tool and printing machinery industries.

A few machine tool concerns, not busy on their own lines, are making complete machines for others. Westinghouse is filling an order at its Nuttall works for 500 milling machines.

Other ways of meeting the emergency

#### SILK FIGHTS A LOSING BATTLE WITH SYNTHETICS

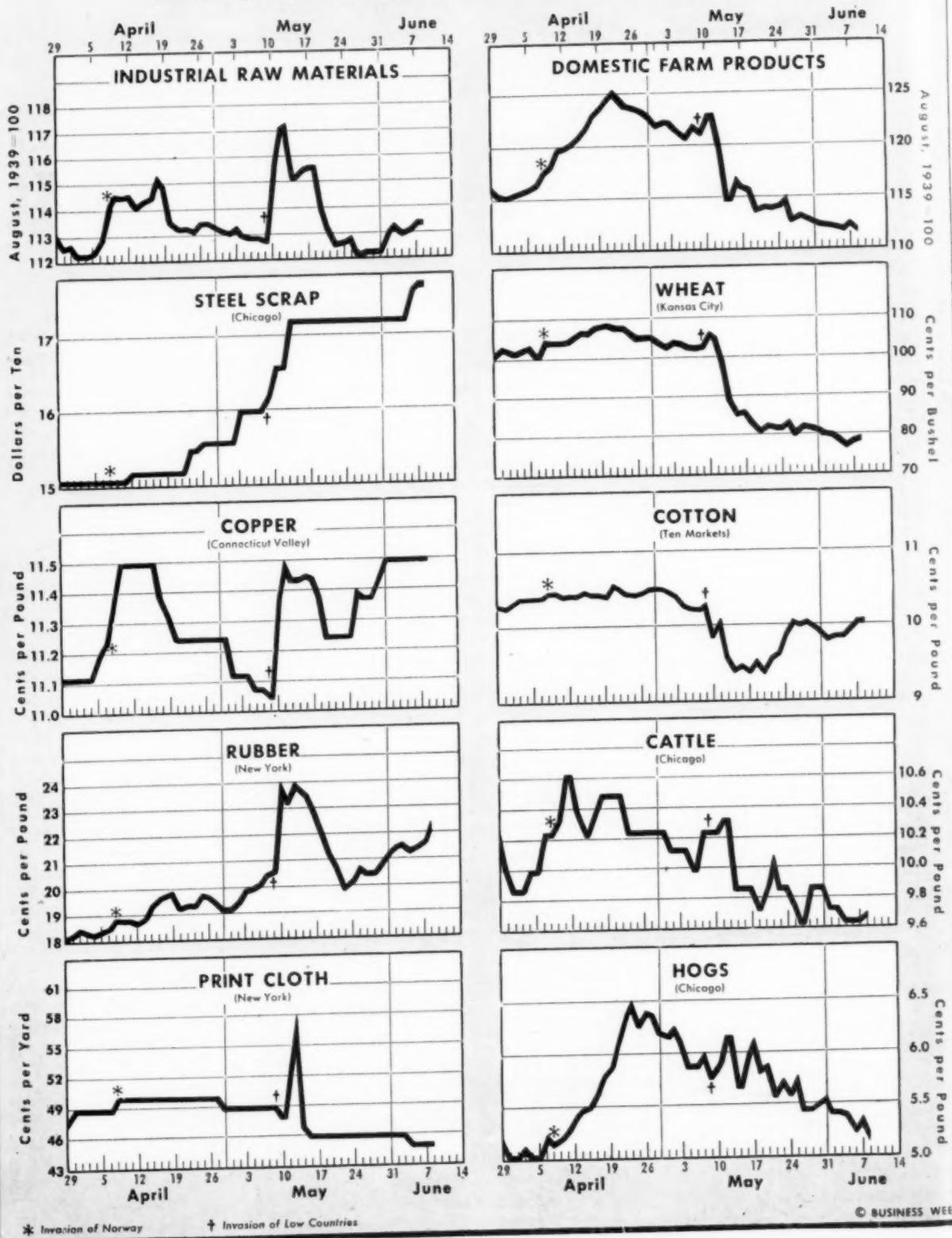


American mills have become progressively poorer customers for Japanese silk in recent years. In May raw silk deliveries to American mills hit a

20-year low—as rayon swept on to record after record, and new synthetics threatened to take over much of the hosiery field.

## DIVERGENT MOVEMENTS IN COMMODITIES

Industrial raw materials advance on invasion of Low Countries, decline on news of German successes, then tend to stabilize; agricultural products hardly rally at all, have yet to show real resistance to selling.



### Commodity Signals

FOR TWO WEEKS, industrial commodities have been trying hard to say "all's well in business." Immediately after the German successes in the Low Countries, industrial raw materials declined sharply along with domestic agricultural prices. But whereas farm products have rallied only feebly since, such important business staples as steel scrap, rubber, and copper have given indications of definite buoyancy. Indeed, as the charts on page 28 show, industrial commodities have been edging higher despite the news from Europe; at the same time, wheat, cattle, and hogs have moved in a fairly steady downtrend.

Not all commodities fit neatly into a pigeonhole. Cotton, for instance, takes on the characteristics of both a farm product and an industrial staple; and print cloth, though properly classified as an industrial raw material, moves very much as a farm product.

Outstanding is steel scrap, which on the strength of the domestic defense program, has been jogging up steadily since early April and is the leader of the upturn in the industrial raw materials group.

short of creating new plant capacity are (1) to set quotas for foreign deliveries (most companies limit export orders to 20-40% of the total), (2) to install new machine tools (one firm says its order book looks like a roster of the National Machine Tool Builders' Association), (3) to limit manufacture to fewer types of machines, and (4) to commandeer machine tools on order for export if the government should need large numbers of machines quickly.

The industry has been in a dither about whether the government intends to take for its use machine tools destined for foreign customers. There has been much talk about the possibility of an embargo on shipments to Japan and Russia; then came reports of an embargo on all exports—which faded out on examination.

### A Surface Neutrality

The truth is that the new Vinson naval bill contains a clause giving the Navy authority to commandeer whatever materials it needs which are on foreign order. On the strength of that clause, the Navy can first take millions of dollars worth of machine tools for countries where deliveries cannot be made—Norway, Sweden, Holland, Belgium. On top of that, needed machines will be commandeered from Japanese, Russian, English and French orders. That procedure will maintain neutrality on the



Concrete home of Eugene Straight, Dearborn, Mich. Architects, Bennett & Straight, Dearborn; builder, D. J. Gilchrist, Detroit.

## NEEDED— better home construction

The Federal Home Loan Bank Board recently issued this timely advice:

*"More than ever, financial institutions have a stake in the structural soundness of the properties which constitute the basic security for their loans, because the ratio is higher and the term of mortgage*

*loans longer than in the past."*

*"There are already indications that jerry-building, poor methods of construction, and utilization of cheap materials are increasing in volume. Such tendencies not only threaten the value of home-ownership, but endanger the safety of funds invested in mortgages."*

## FOUND— in firesafe CONCRETE

Holders of mortgages on thousands of new homes with Concrete walls, floors and foundations have superior investments because: These homes are firesafe, weather-resistant, termite-proof—inexpensive to maintain—moderate in first cost—high in resale value. Concrete's many advantages assure LOW ANNUAL COST, so important in long-term home financing.

**PORTLAND CEMENT ASSOCIATION, Dept. 6c-12, 33 W. Grand Ave., Chicago, Ill.**

**To Get Facts on Concrete Homes —**  
Ask a Concrete Products Manufacturer or Concrete (cement) Contractor—see phone directory—for names of architects and builders experienced in concrete.

Booklet, "Why People Like Concrete Homes," sent on request, free in the U.S. or Canada. We will present further facts on Concrete as a preferred investment to mortgage lenders and home builders.

A national organization to improve and extend the uses of concrete . . . through scientific research and engineering field work

surface. As it is expected to work out, almost all the machines tagged for Japan and Russia will be needed in a hurry by the government for defense, only a few of those on order from the Allies.

Actually, the amount of machine tools tagged for shipment to Japan and Russia is considerable, but the volume of fresh business placed by these two countries recently has not been large. One reason is that deliveries are so long deferred, running into the middle of 1941. By comparison, Allied bookings far overshadow the Japanese and Russian.

If the delivery situation should become acute despite the working of the plan outlined, the industry has two aces to reveal short of physical plant expansion. One is the plan of John E. Lovely, president of the builders' association. It suggests that the government buy any equipment available in private industry not now vitally needed rather than demand that all the equipment for any new airplane or munitions plant be brand new. The machine tool industry could replace the commandeered machinery at a later date. The other plan is that simplified machines, such as those the Army has already planned, be substituted for the present standard type of machines in production in the industry. The builders' association already has designed such machines in cooperation with the Army.

#### **Shy Away from "White Elephant"**

The industry is not without some plant expansion. In addition to new plant capacity previously announced, four companies are enlarging their manufacturing facilities—Warner & Swasey, Monarch Machine Tool, Jones & Lamson, Bryant Chucking Grinder. On the whole, however, the industry is reluctant to create new capacity which will be a "white elephant" after the war, as it was after the first world war.

If the Treasury Department would let the industry write off the new investment in a few prosperous years (as the Army would like), the industry might go in for more plant capacity.

This year the industry will do upwards of \$350,000,000 of business, compared with an average year of \$100,000,000. Yet its costs are high, because of (1) high labor rates, (2) expense of training men, (3) heavy overtime payments, (4) increased cost of materials. Prices have advanced on the average only 10-12% since the outbreak of war, or about enough to cover the added costs.

Since the first of the year, the proportion of foreign orders to total business has declined to about 40%. Production has been pushed up to a point where recently shipments have slightly exceeded bookings. Above everything else, machine tool builders resent having their industry referred to as the bottleneck in national defense. It is no more a bottleneck than a dozen other spots in industry, such as tools and dies, alloy steels,

gears, gunpowder, and airplane engines.

Machine tool men point with pride to their performance when airplane engine makers found themselves in a jam early in the spring. When Pratt & Whitney and Wright needed machine tools in a hurry, the industry gave the green light to or-

ders destined for those companies, did such a good job that in some cases machine tools were delivered and stored because the airplane people were not yet ready for them. Machine tool builders think they can do just as good a job for national defense.

## **Plane Production Tough for Autos**

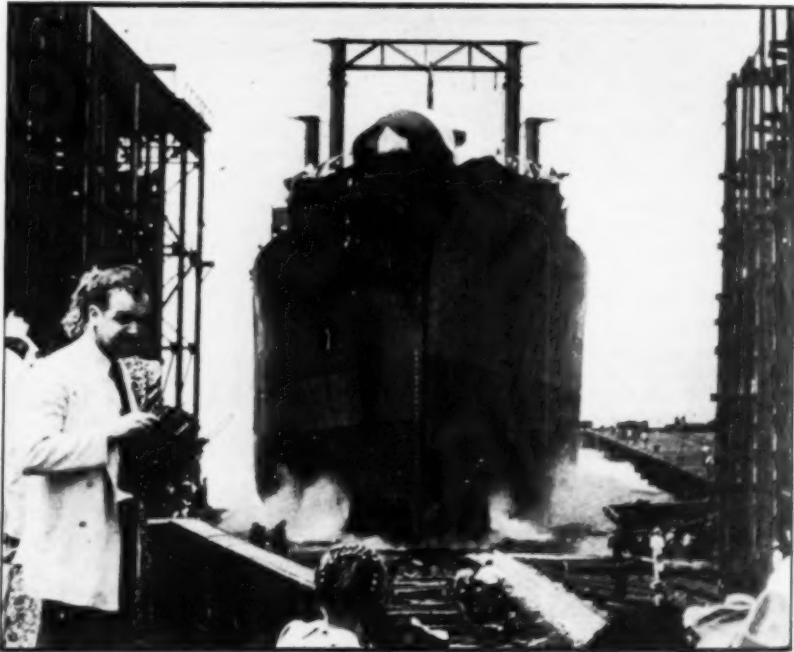
**Special requirements on equipment, tooling, and skilled personnel complicate the problem of manufacturing airplanes on mass output basis.**

WHILE AWAITING concrete information on armament programs, the automotive industry, already committed to doing its part in arming the nation, is going ahead pretty much as usual. Plans for introduction of 1941 cars—and the tooling for the cars themselves—are virtually complete. Production plans for the balance of the year are based on a relatively optimistic commercial outlook. May retail sales, while down from April slightly, are still running approximately 30% ahead of May, 1939. Even some phases of 1942 model development have already

reached the design and experimental stage, for there is still no reason to suppose that new models will be abandoned for the 1942 selling season.

To date, automotive productive activity for armament has been minute compared to the inherent capacity of the industry. What the outlook for the future may be, no automotive executive is willing to hazard, but every company hopes that it will be asked to produce for defense what it is most capable of producing: a broad range of products including mechanized equipment—trucks, tanks,

#### **Convertible Merchantman Slides Down the Ways**



*International*  
The S. S. President Jackson, first of seven combination passenger and cargo vessels to be built by the American Maritime Commission for the American President Line, was launched at Newport News, Va., last week. Originally built for around-the-world trade, the ship is easily convertible for wartime use, should a national emergency arise. It measures 491 ft., has a gross tonnage of 9,400, a displacement tonnage of 16,190, and a cruising speed of 16½ knots. It will carry 96 passengers and a crew of 119, and will go into service this fall.

and gun carriages—and "in line" liquid-cooled aircraft and marine engines.

If this hope is borne out, the industry's magnitude alone guarantees an ability to take defense production in its stride without seriously affecting commercial production. What worries the industry is that it may be asked to produce items of war equipment that it is ill-suited to handle, for it entertains no illusions about its own abilities. It recognizes the fact that only 5% to 10% of its productive labor may be called truly "skilled" under any interpretation of the term. Like many another industry, it is short of tool engineers—the men who convert blueprints into production sequences—and those men the industry does have possess little knowledge about the specialized problems inherent in most armaments.

#### Unprepared for Quick Shift

Again, as far as equipment and plant facilities are concerned, the industry is highly specialized and not prepared for the rapid inauguration of mass production on strange items. As it is, just to change over to a new model, it takes a major automobile company from two to six months, including total shut-downs ranging anywhere from weeks to months. On short order, a major automobile company could no more start to build airplanes in mass production than could a producer of radios or adding machines. That takes time.

In this connection, the industry has yet to live down the popular misconception, reaching even into high political circles, that the key to mass production lies in the conveyor or assembly-line system rather than in the much more vital interchangeability of parts. Many an armament product is entirely unsuited to conveyorized production as exemplified by the auto industry. Every product to be built in quantity demands a specific form of equipment, tooling, and manpower; and the lack of any one of these renders the plant and organization unsuited for immediate operation.

For example, the production of 10,000 or even 50,000 additional Army trucks would present no problem to the industry and could be fitted in without affecting productive capacity for commercial needs in the slightest. The special axles and transmissions needed could be easily secured from axle or transmission builders for assembly into the vehicles.

#### Precise Workmanship Required

Production of airplanes is another matter. It has been assumed generally that the industry could easily swing into production on aircraft engines, as it did on Liberty motors in 1917-1918. Cadillac, for instance, is cited as already in production on parts for G.M.'s Allison aircraft engines. But the point is that men are being transferred to Allison parts production as Cadillac slows down for the summer lull. Further, Cadillac has a

higher percentage of skilled help than most companies. Its own engines are obviously built to somewhat closer tolerances than those of the car plants with larger production, and this gives Cadillac more accurate machinery and greater labor skill.

Aircraft engines today demand tolerances and workmanship far beyond those required for automobiles. In automotive manufacture, a "keyway" may have a tolerance of  $\frac{1}{4}$  inch for depth and nobody would ever notice it, whereas two-thousandths of an inch is sufficient reason for rejection of the part for aircraft use.

This distinction is exemplified by the fact that in every case where automotive companies have entered the aircraft engine field—General Motors with Allison, Cord Corp. with Lycoming, Packard, Continental Motors, and all others—it has been found essential to segregate aero-from auto-equipment and personnel.

Aside from the possibility of producing power plants, the automobile manufacturing companies are not well fitted to contribute to the aircraft picture. Conceivably, they could become so fitted in

six months by focusing exclusively on the aircraft problem but for the present the prime qualification they possess is a thorough knowledge of mass production principles. Opposed to this qualification is the lack of the necessary equipment, properly designed plants, and trained personnel, without which the automobile business could hardly compete with an expanded aircraft industry.

Outside of the large automotive manufacturers, such suppliers as Budd, Briggs, Hayes, and Murray could well produce certain aircraft stampings and assemblies on a large scale and furnish personnel skilled in sheet-metal tool and die design. In the marine field, the auto industry is better set up. It can supply the motive power units, ranging from small marine motors like those of Chrysler to the 1,200 h.p. types developed by Packard for the Navy's new fleet of high-speed torpedo boats. In addition, the G.M. diesel division and such engine companies as Buda, Hercules, Cummins, Allis-Chalmers, Caterpillar, and Waukesha could produce diesels for marine, tank, and truck use in large quantity.

## Red Cross Now Big Farm Customer

**Department of Agriculture sees opportunity to use crop surpluses while alleviating distress abroad. Many business lines affected by war relief expenditures.**

**WASHINGTON (Business Week Bureau)**—The business end of the Red Cross isn't big business—yet—but its money is just as good as anybody's, to those who get it. The current drive for war relief funds is expected to reach the \$20,000,000 goal by July 1, and by that time some of the \$50,000,000 which Roosevelt this week urged Congress to appropriate for Red Cross refugee relief will probably be finding its way to market.

Since the outbreak of war last September, the Red Cross has spent \$3,846,706 (through May 31) for war relief, of which \$2,137,648 is broken down by commodities as follows: food, \$394,254; clothing, blankets, bedding, \$545,904; medical, surgical, and hospital supplies, \$596,440; ambulances, hospital trucks, \$225,070; miscellaneous relief, including soap, towels, cooking utensils, \$118,898; transportation, insurance, \$227,082. Food supplies include flour, corn meal, dried fruit, lard, sugar, molasses, canned milk, dehydrated soups, cocoa.

Whenever possible, the Red Cross does its buying in the open market on competitive bids and on government specifications, but it has no technical staff to see that specifications are followed.

Business concerns, including those who sell to the Red Cross, are heavy contributors. Deliveries frequently include extra quantities. Biggest single contribu-

tion to date is \$100,000 from John D. Rockefeller, Jr.

The Red Cross intends to continue sending relief supplies to France just as it did in German-occupied Poland until the closing of the Mediterranean this week. An arrangement has been made by the Department of Agriculture by which Red Cross will be able to stretch its funds for food supplies. Technically, the Red Cross becomes an exporter and as such entitled to export subsidies covering shipments of surplus foods. The government will pay approximately \$130,000 against expenditure by the Red Cross of twice that amount for 5,881,000 lbs. of wheat flour, 1,250,000 lbs. of corn meal, 730,000 lbs. lard, 800,000 lbs. of prunes, and 800,000 lbs. of raisins included in the cargo of a ship which sailed for Bordeaux this week.

#### Farmers Aren't Forgotten

Besides helping to meet the tragic need in the occupied countries, the Agriculture Department figures that this arrangement is justified as a small means of compensating farmers for the drastic loss of export markets.

The situation is described as desperate in cotton, flue-cured tobacco, and other crops of which export markets normally consume the following percentages: cotton, 50%; flue-cured tobacco, 40%; lard,

40% (prior to the 1934-1936 drought); prunes, 45%; raisins, 30%; apples, 10%; winter pears, 45%.

To cope with conditions portrayed as threefold more severe than this year, the total of \$185,000,000 available for disposal of surplus crops in the year beginning July 1 is \$18,000,000 less than this year's figure. A move is on foot in Congress to increase next year's funds by \$100,000,000.

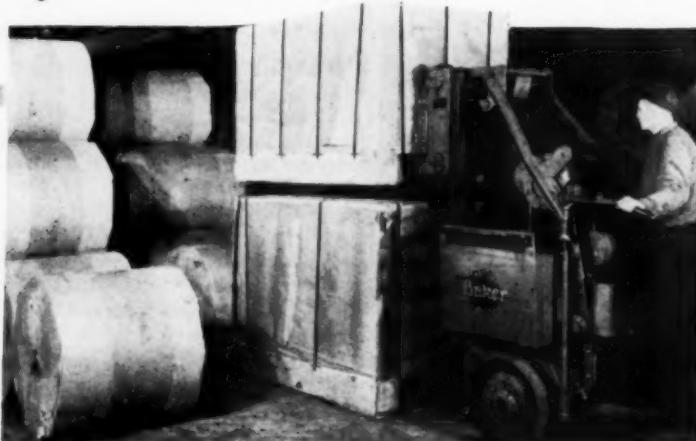
Rumors that the executive direction of the Red Cross would be strengthened have been confirmed by the appointment of a special advisory committee to assist Chairman Norman H. Davis. This has resulted from criticism of the ability of the organization under Davis's

direction to handle efficiently the load laid on it by the war.

Davis came to the chairmanship of the Red Cross two years ago following an extended tour as President Roosevelt's "ambassador-at-large." He succeeded the late Admiral Grayson and, unlike his volunteer predecessors, draws a salary. Of no intrinsic importance, this mere fact is a thorn in the organization's public relations. The figure doesn't appear in the annual report but is reported at headquarters to be \$17,000 or \$18,000 plus \$5,000 or \$6,000 from an endowment fund available to the chairman's office.

Three vice-chairmen receive \$9,000 and 28 officials (including the three vice-chairmen) receive \$5,000 or more.

## 10,000 SQ. FT. OF FLOOR SPACE plus BAKER HY-LIFT TRUCK equals 20,000 SQ. FT. STORAGE



### The World Publishing Co. pays for BAKER TRUCK in 18 months' rental savings

• Four years ago The World Publishing Company of Cleveland needed extra storage space. They purchased a Baker Hy-Lift Truck which enabled them to make every floor foot count double and reduced their requirements by 10,000 sq. ft. "In rental savings alone our truck paid for itself in 18 months," they told us. "We also cut by  $\frac{1}{3}$  the time required for unloading skids of paper from box cars—an additional saving—and we are using the truck constantly for maintenance and millwright work on our machines, and for many other odd jobs." Increasing storage space without increasing floor space is only one achievement of Baker Trucks. Another is increasing production without expansion. The Baker Material Handling Engineer will be glad to show you how they apply to your plant.

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**Baker INDUSTRIAL TRUCKS**

## Tin Subsidy Urged

**Domestic smelter production remains insignificant in comparison with nation's requirements.**

FEDERAL SUBSIDY for a tin smelting industry in the United States is being urged with redoubled vigor by leaders in the metal trade and by many outside as spread of war endangers supplies. This step has been urged for many years—just as forward-looking individuals have implored the building of a stock-pile for war—but nothing has ever come of it.

Late last year the American Metal Co. and Phelps Dodge set up pilot plants for tin refining (BW—Dec 23, p.34). Yet their operations haven't grown beyond experimental stages. This country has not imported, in any recent month, ores containing more than 300 tons of metallic tin. That would mean domestic smelter production at the rate of perhaps 3,500 tons annually at the present rate. This is insignificant by comparison with yearly requirements running anywhere from the 1932 low of 33,702 tons to the 1937 high of 87,802.

Freight rates, insurance costs, and currency difficulties daily are becoming more serious handicaps to purchase of refined tin in the Far East where England now controls most of the world's output (the interests of Britain and the Netherlands now being virtually identical). If anything happened in the war to place the Japanese navy between these sources and the American market, the United States would be completely cut off from this strategic material.

### Bolivian Tin Smelted Abroad

Bolivia is the only important producer in the western hemisphere, and Bolivia has no smelters (73% of the country's production was sent to England for processing in 1938, the rest to Holland and Germany). Possibly Bolivia could produce 50,000 tons of tin a year, even though it hasn't approached that figure over the last 15 years.

Lacking smelters in this country, however, the potentialities of Bolivian ores remain relatively unimportant. These ores are not high grade, and they are hard to handle.

During the last war, American refiners built up a tin-smelting capacity which hit a peak with nearly 16,000 tons of production in 1920. After the war, however, competition was so ruinous that American Smelting & Refining and National Lead, main factors in the business, dropped out of it entirely. Advocates of domestic refining capacity argue that private capital won't go into smelters again in view of that experience. Hence the agitation for federal help, probably through a protective tariff on metallic tin, while, at the same time, ore comes in duty-free.

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## Defense Means Metal

Non-ferrous markets are immediately affected, with domestic buyers bidding against Allies.

EFFECTS of the national defense program were clearly visible in the metal markets last week—and domestic buyers of copper and zinc quickly discovered that they had to bid against England and France if they wanted early delivery. The result was a materially firmer price structure.

There was nothing alarming in the domestic supply situation, to be sure, but producers wondered just how much the foreign buying would amount to. France had bought copper (produced abroad but refined in the United States) for delivery at the rate of 25,000 tons a month, September through November. England and France together had just about cleaned up all the brass to be had for immediate shipment. England was reported to have contracted for some 30,000 tons of copper. And France was a persistent buyer of zinc, presumably because it finds itself cut off from its customary Belgian source of supply.

Domestic producers suspected that the Allied purchasing agents found themselves asleep at the switch—nine months after the outbreak of war. The British Empire should be able to produce all the metals the Allies need, but there seem to be doubts if ships will be on the spot to pick up the Empire production as needed. And, as Nazi bombs drop on factories, there is the even more vital question of how much fabrication the metals will undergo before they are shipped.

### Little Fear of Pinch

American refineries recently have been turning out 80,000 to 85,000 tons of copper monthly and domestic consumption probably hasn't averaged much over 65,000. The production of mines and smelters in this country undoubtedly could be stepped up to 95,000 tons monthly and probably to 100,000. Therefore, there is little fear of any real pinch. Moreover, the greater the disruption of industry in Europe, the more foreign copper would come to this country for smelting—which would help to guarantee domestic supplies and would boost refineries' profits.

The zinc and lead industries in the United States for some time have been feeling the pressure of imported ore which normally would go elsewhere for refining and for sale. In the first four months of this year, imports of zinc in the form of ore were 93,943 tons above our exports of foreign metal (a year ago in the same period net imports in the form of ore were only 4,349 tons of zinc). For lead, net imports in ore totaled 26,263 tons for the four months compared with 8,183 in the 1939 period.



DISSTON HAS THE EDGE

## Machine Shop Profits

### WITH DISSTON BITE-RITE FILES

Any kind of file "gets by" . . . but Disston Bite-Rite Files mean faster filing; time saved means better profits.

Chips cut with a Bite-Rite File are heavy, long and curling, like chips from a lathe tool . . . not the short, light, crushed fragments you get with ordinary files.

The Bite-Rite tooth design; round, smooth, open gullets, assure free and clean discharge of chips . . . combine speed of cut, long life and smoothness of filed surface.

Look into this proof today. See your distributor of Disston Bite-Rite Files. Get better work, speed up your production, and make more money. **Henry Disston & Sons, Inc., Philadelphia, U. S. A.**



Feel the "bite" in

**DISSTON BITE-RITE FILES**





Have you thought of "The Peninsula" only in terms of a world-famed climate and beautiful suburbs? You will be amazed by its industrial development and advantages (in restricted areas) described in our booklet, Opportunities to Share. It's as factual, interesting, attractive as a "Fortune" feature. Ask your Secretary to write for a copy.

\*In metropolitan area, outside of city limits. Unrivaled for heavy industry, light manufacturing or distribution.

**SAN FRANCISCO PENINSULA, INC.**  
P. O. BOX 48, SAN FRANCISCO

*The*  
**PALACE**  
**HOTEL**  
AS WORLD-FAMOUS AS  
*San Francisco*



Spacious rooms and suites, handsomely furnished. San Francisco's traditionally famous cuisine in the unique Garden Court. Most conveniently situated for all transportation, and for the 1940 Exposition.

*Prompt reservation service*

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## MARKETING

ADVERTISING · MERCHANDISING · SELLING

### Chains Battling Crisco and Spry

**Big grocery outfits bring own shortenings into private war against nationally-advertised brands. Show-down will come when Lever and P. & G. start slashing.**

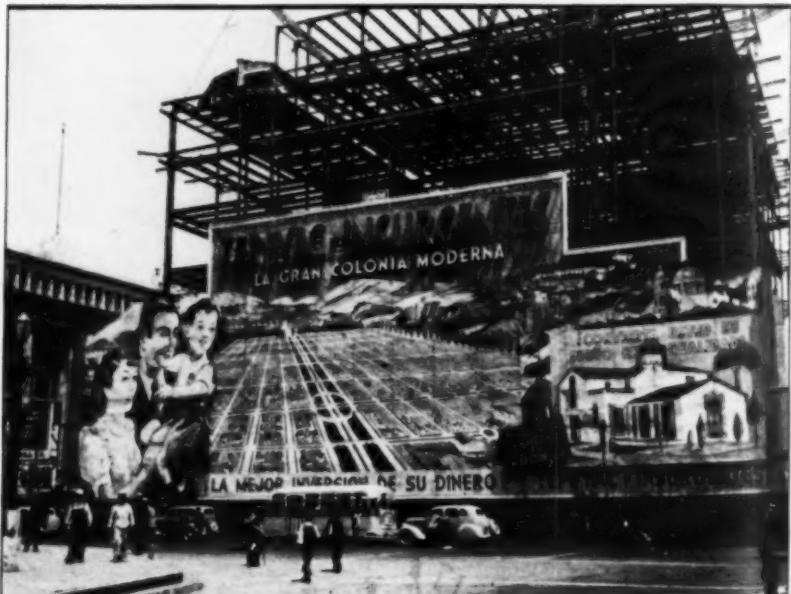
RETAIL GROCERS groan about many a branded item which consumer demand, stimulated by heavy national advertising, forces them to carry even though the mark-up is less than their cost of doing business. Some of their lustiest groans have been reserved for the hydrogenated vegetable-oil shortenings, which are usually priced to yield the retailer the bare margin of 6% or 8% required by some states' minimum mark-up laws. Biggest slice of the market belongs to Procter & Gamble's Crisco and Lever Bros.' Spry. Total sales of these brands is estimated at \$37,000,000, and the experience of one major chain indicates that they get respectively 55% and 45% of this man-size pie.

P. & G. pioneered hydrogenated products more than 35 years ago as a low-cost substitute for lard, not to be con-

fused with the cheaper compounds made by mixing harder animal fats with vegetable oils. With smart promotion and the high comparative price of lard then prevalent, P. & G. by the mid-twenties pushed its lard substitute into first place in the American kitchen. Lever presently elbowing in for a share—trade gossip says in retaliation for a P. & G. invasion of the British soap market. Aided by smaller but equally aggressive brands such as Snowdrift, the vegetable shortenings developed a generation of housewives who have never cooked with lard, who willingly pay substantially higher prices for the vegetable product which originally was just a poor relation.

Once the manufacturers climbed into the saddle, they began riding the retailer with spurs and whip. And for years the retailer saved his face, if not his profits.

### "Own Your Own Home"—in Mexico



*Mexico borrows American advertising methods to promote an American-style real estate development in Mexico City. This Brobdingnagian billboard, on the side of the new*

*Banco de Mexico Building at Mexico City's Times Square, tells Mexicans they can make their dreams come true by buying one of the \$3,000 bungalows in this new development.*

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by muttering dark threats about what he would do if they didn't let up.

The regular retail price of Crisco and Spy had long been 51¢ for a 3-lb. can. Last fall A. & P. quit threatening, cut itself a hefty shillalah in the form of a private brand of hydrogenated-oil shortening. This product, named Dexo, was obtained by A. & P. from Durkee Famous Foods, the food-products subsidiary of The Glidden Co. A. & P. priced Dexo at 6¢ in ordinary stores, 39¢ in food marts. The old-line makers soon dropped their prices by 2¢ or 3¢ a can, but have consistently maintained a price differential of 8¢-9¢ above private-brand competition.

#### Policy Stimulates Business

As soon as A. & P. had its own brand of shortening, others rushed to do the same thing. Durkee, with plants spread across the country, had never made a great dent in the case-goods shortening market with its own brand, though it was already a large seller of bulk goods to the bakery trade. Capital City of Columbus, Ohio, had been doing a small and relatively local business in its King Taste package line. Humko Products of Memphis had a fair distribution in the South with its Cream White.

After the rush was on, Durkee had presently booked enough orders to keep it busy. All other available makers were soon knee-deep in private brands. Capital City took a large chunk of the Kroger contract; the second-largest chain calls its brand Krogo. Humko supplies the balance of Krogo, is reported also to have landed First National. The voluntaries are in the parade—I. G. A. with Sno-Kreem, N. R. O. G. with Shurfine, and so on.

#### Weapon Against Manufacturers

Grocery chains are notoriously close-mouthed about their sales experience on individual products; hence no private-brand statistics are available. Some straws in the wind: Durkee's extreme activity on A. & P. Dexo; Kroger's admission that "Krogo volume is very satisfactory." Most of the private-branders have priced their shortenings midway between the Crisco-Spy level and Dexo. But A. & P. is generally believed to be taking no very great profit on its item—if any. In other words, it is using its brand to wham Lever and P. & G. over the head as a warning of what may happen to manufacturers who get too tough with the Hartford boys.

The old-line stalwarts profess to take their new competition lightly, ascribe any current falling-off in their own sales to the present low price of lard. Some grocerymen say that this is merely whistling in a graveyard, claim that sales of shortening normally fluctuate only slightly when lard goes down.

Universal guess is that the first proof that private brands are solidly succeeding

## Ultra Modern Office Building Topped by the Modern Roof



### Carey BONDED BUILT-UP ROOF Specified for the Unique Windowless Office Building of S. C. Johnson & Son, Inc.

**A** BUILDING without precedent—talked about—written about—visited by thousands. Designed in every detail, even to the furniture, by Frank Lloyd Wright, it is considered one of the outstanding contributions to business housing.

The design and construction of the "Johnson Wax" building, in Racine, Wis., embodies many unique features. It is air conditioned, fireproof, coldproof, soundproof, earthquake-proof. Built without windows or glass brick, it utilizes glass tubing for both natural and artificial light. The illumination is shadowless at all times. The heating of the building is revolutionary—the floor itself is a radiator.

Logically, the builders of a structure of such permanence and efficiency looked for long life and efficiency in all the materials that went into it. This "business building of tomorrow" is protected by a CAREY specification 3-A Built-Up Roof, applied over cork insulation on a concrete deck. The roof is bonded for a period of 20 years, and was applied by the Christiansen Roofing Co., Milwaukee.

CAREY has been developing and manufacturing roofing materials and serving industry throughout the nation for over 60 years. Regardless of your roofing requirements, this experience and record of service assure unqualified satisfaction. You're always **SAFE** with CAREY. Write today for book "Specifications for Bonded Roofs"—address Dept. 29.

**THE PHILIP CAREY COMPANY • Lockland, Cincinnati, Ohio**

Dependable Products Since 1873

BRANCHES IN PRINCIPAL CITIES

## Strange Facts about Fire!



**CONFLAGRATIONS CAUSE SUCH TERRIFIC DRAFFS THAT PEOPLE NEARBY REPORT HIGH WINDS, EVEN THOUGH AIR IS ACTUALLY CALM, WINDLESS, A FEW MILES AWAY.**

(FROM HANDBOOK OF NATIONAL FIRE PROTECTION ASS'N.)

**America gets action! Industry moves into high gear! But remember—fire stops production short, throws entire plants into idleness.**

For flammable liquid and electrical fire hazards get protection of LUX extinguishers, LUX Built-in Systems. A fire-killing blast of



LUX carbon dioxide snow-and-gas smotherers blazes in split seconds.

**LUX is clean, dry, harmless, non-toxic. No fumes, no damage, no mess. LUX harms nothing but fire.**

Build your defenses now against fire. Mail coupon for fact-packed folder. Write now.



**MAIL THIS FOR FIRE-FIGHTING FACTS**

**Walter Kidde & Company, Inc.**  
624 West Street, Bloomfield, N. J.

Send me "Don't Play With Fire," which describes modern fire-control methods.

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

will come when Lever and P. & G. embark on a definite policy of price reduction. They can temporarily and painlessly finance a sizable slash in price merely by cutting down on their advertising and coasting on their accumulated momentum. Such a price clash would bring a showdown between the demand that the advertising has built for their products and the sales push that the chains are putting behind their own brands.

Biggest question: Can the new private brands and the current big demand for independently-made case goods stand up, once the big fellows decide it is something to get mad about?

The answer lies in the ability of the big private brand distributors like A. & P. and Kroger to match price cut for price cut. In times past, they've shown a remarkable ability to take that kind of punishment. In this case, they have an added weapon of retaliation, for they handle a whale of a volume of the soap products distributed by the makers of Crisco and Spry. If Procter & Gamble elect to fight for the shortening market, the chains may elect to let the war spread to Ivory Flakes and Lux soap.

### Ad for the Allies (Paid)

ONE FULL-PAGE newspaper ad hit the jackpot this week when the Committee to Defend America by Aiding the Allies launched its campaign in seven New York City newspapers on the day Italy entered the war. The ad, urging people to write the President and Congress in favor of all possible aid to the Allies, was scheduled to appear in 11 other papers in Chicago, Des Moines, Portland, and Los Angeles, after its New York débüt.

Copy was written by Robert E. Sherwood, whose play "There Shall Be No Night"—an argument in behalf of war to defend democracy—is running on Broadway now. The committee paid regular space rates for its ads, and the initial cost of the campaign is estimated at \$25,000.

### P. S.

NATIONAL defense will pop up at the mid-year convention of the National Retail Dry Goods Association in Chicago next week. Department stores will be urged to confine deliveries to one a day "to conserve resources in a time of national emergency." Of course, such an agreement would result in a cut in overhead, for which many stores have long plugged. . . To give small town retailers a weapon to combat private brands, Gotham Silk Hosiery Co. will place the first advertising in more than 12 years on its Onyx brand stockings, which have gone to smaller outlets not reached by Goldstripe. . . THE PORTUGUESE Canned Fish Institute perceives a sales opportunity, now that Norwegian supplies have been cut off; will spend \$70,000 to capitalize it.

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## LABOR AND MANAGEMENT

## Letter from C.W.O.C.

C.I.O. tells 50 builders in District of Columbia it can lower their costs "materially."

THE CONSTRUCTION Workers' Organizing Committee of C.I.O. claimed to be well pleased this week with a venture which closely resembled a standard mail promotion campaign. The C.W.O.C. had addressed 50 letters to building contractors who recently bid on sizable jobs in the District of Columbia area.

Signed by Gardner H. Wales, C.W.O.C. comptroller, each letter said: ". . . by working in cooperation with our form of union and under a wage agreement with our organization, construction contractors can materially lower their costs through the avoidance of jurisdictional disputes and the elimination of the many restrictions which traditionally have been placed upon contractors by the old-line craft unions, such as the right to select his own employees and the privilege to the contractor of utilizing his workers in more than one occupation."

## Employers Have Their Doubts

Contractors were interested but skeptical as C.W.O.C. told them that it was growing rapidly and was able to furnish skilled and unskilled labor in sufficient quantities regardless of the job's location. The builders were also inclined to question the union's flat assertion that it could protect material supplies and material transportation. They wondered whether the C.I.O. had made a deal with the powerful teamsters' union, A.F.L.'s largest unit.

Because Dan Tobin, president of the teamsters, has been the A.F.L.'s outstanding advocate of peace with the C.I.O., there was conjecture over the possibility that Tobin was using the threat of cooperation with C.W.O.C. to bludgeon the building trades representatives on A.F.L.'s executive council into a more conciliatory attitude.

## Trustbusting May Act as Restraint

Only other conclusion on C.I.O.'s transportation boast was that the Lewis crowd believed Tobin's teamsters to be too embarrassed by Assistant Attorney General Arnold's trustbusting prosecutions to battle a C.W.O.C. that was recruiting truck drivers as well as building tradesmen.

By last week, over 20% of the contractors to whom letters had been written were willing to talk the matter over with the construction workers' committee representatives, and C.W.O.C.'s New York headquarters was preparing to launch a mail campaign in the New York-New Jersey area.

"a very good investment for us" PALMS REALTY CO.

WEATHERSTAT OUTSIDE CONTROL SAVES 29% STEAM WITH TENANTS ALWAYS SATISFIED

PALMS REALTY COMPANY  
FRANCIS PALMS BUILDING  
DETROIT

August 6, 1938

Minneapolis-Honeywell  
615 Broadway Street,  
Detroit, Michigan.

Gentlemen:

The Minneapolis-Honeywell Weatherstat System, which you installed in the Francis Palms Building in 1938, has proved to be a very good investment for us. Our records show that the steam consumption for us . . . has been maintained and this lowered steam consumption.

We have also made a considerable saving in labor costs. Before the installation, operating expenses were rather high to maintain and supervise employees who had to walk around the building, and automatic controls have made it possible for employees to do other work.

The weatherstat ensures, as the tenants are comfortable at all times, which is essential to any thriving management and adds to the worth of the investment.

Yours very truly,  
PALMS REALTY COMPANY  
Adolph Assael  
Secretary.

Adolph Assael,  
cc

THE FRANCIS PALMS BLDG. Detroit



THE Minneapolis-Honeywell Weatherstat is a simple outside control that responds to the effects of wind, sun and outside temperature before they are noticeable inside. Results similar to those obtained in the Palms Building can be expected for your building. The M-H representative in or near your city will gladly give you details . . . or write: Minneapolis-Honeywell Regulator Co., 2728 Fourth Ave. S., Minneapolis, Minnesota. Canadian Plant: Toronto. European Plant: London. Company owned branches in 48 other cities.

MINNEAPOLIS-HONEYWELL  
*Weatherstat*  
THE OUTSIDE CONTROL THAT'S HEATED

## Defendants Wear Out

Having spent \$100,000 to fight NLRB, Los Angeles firms halt tent and awning case.

SOMETHING like a modern Jarndyce vs. Jarndyce, the law suit in Dickens' "Bleak House" which ended when it was discovered that the entire fortune at stake had been absorbed by court and attorney's costs, came to an end in Los Angeles last week with conclusion of the NLRB case against four local canvas manufacturers and four open-shop employers' organizations.

In what was known prosaically as "the tent and awning case," 70 hearings have been held from Oct. 16 to June 3, more than 9,000 pages of evidence have been taken and 1,000 pages of exhibits embodied in the record.

Hearings ended suddenly last week when some of the defendants announced they were no longer able to meet expenses. Defendants' attorneys estimate their clients have spent about \$100,000 so far on the case and that NLRB costs totalled another \$100,000.

In its complaint, based on C.I.O. and A.F.L. charges, the board accused the companies and open-shop groups of working together to form company-dominated unions.

In denying the charges, defendants contended the case was merely a vehicle to discredit open-shop employer associations and to penalize any employer who, involved in labor difficulties, may belong to such an association. In other words, they charge, the individual employer will be held accountable for his own sins against labor and also for the sins of the open-shop group to which he belongs. Much of the testimony introduced by the board covered the same ground as the recent Los Angeles investigation by the La Follette Civil Liberties Committee (BW—Jan 27 '40, p. 26).

Los Angeles executives believe the final decision in the case will set a precedent that will have national effect wherever there is a similar employer set-up.

## Union Bows to Arnold

Bricklayers' international signs decree binding it to help prevent illegal trade restraints.

FIRST FRUIT of the Supreme Court Apex Hosiery decision (BW—Jun 1 '40, p. 16) is a civil decree entered this week in the Northern Illinois District Court. Parties to the decree are the U.S. Department of Justice, the Tile Contractors Association of America, and A.F.L.'s Bricklayers, Masons, and Plasterers International Union of America.

Thurman Arnold's trustbusting division chalks up another victory, for in the



Wide World

*Like a skit out of "Pins and Needles," the International Ladies' Garment Workers' Union's Broadway revue, the I.L.G.W.U. took time out from its two weeks of earnest convention deliberations to stage an unrehearsed number which might have been billed as "Reunion in Carnegie Hall." Occasion was the presentation of a charter by A.F.L.'s*

president Bill Green, who officially welcomed I.L.G.W.U. back in the Federation's fold after two years of C.I.O. affiliation, two years of independent status. Above Bill Green swings high with a benedictory gesture at I.L.G.W.U.'s shrewd, hardworking president David Dubinsky; (below) Bill Green swings low with an anonymous delegate.



decree the union voluntarily assumes responsibility for cooperating with the government in preventing illegal restraints of trade by its local units. With local bricklayer groups indicted in Chicago, Detroit, and St. Louis, the International Union's offer to police its affiliates against collusive trade practices will free part of the Antitrust Division's small legal staff from the necessity of litigation or of policing alone the agreement which now seeks to restore competition to the important tile industry.

The prevailing condition, to which the Justice Department objected and which the decree seeks to rectify, was an arrangement between local tile setters' unions, tile manufacturers, and tile contractors wherein, it was charged, a conspiracy existed to limit the sale of tile. Local unions implemented the agreement by designating their partners in the deal as "legitimate contractors" and by refusing to allow union members to work on other contractors' jobs. With the Tile Contractors Association of

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America joining the union in the decree, the parent organizations of the two most important local groups responsible for the questionable practice will, under court supervision, undertake a cleanup.

The bricklayers are the first union to be spurred by the Apex decision into playing ball with the Antitrust Division, but others may be expected to follow.

### Remington-Rand Test

WELCOMING the opportunity to answer a contempt of court charge evoked by the closing of their Middletown (Conn.) plant, Remington-Rand hopes to thrash out in court "the uncompromisable points over which the NLRB has badgered us for years." The present action, set for hearing in the United States Circuit Court June 17, grows out of what the NLRB calls "our oldest case of non-compliance" (BW—Nov 27 '37, p24). The Board charges that R-R's closing its noiseless typewriter plant in Middletown (which normally employed 1,200 workers) is, like the 1939 closing of the company's Syracuse plant, a move to discourage membership in a labor organization (A.F.L.). The company, in a message to employees, set forth the reason for consolidating operations, which it will ask the court to sustain:

"The decision to close is in accord with the company's long range policy of concentrating its manufacturing to obtain increased production efficiency."

Middletown employees were given an opportunity to file employment applications in two departments of the R-R Elmira plant, and in one department at the company's Ilion works.

### Naturalization Speed-Up

DETROIT's naturalization bureau continues to do a rushing business (BW—Jul '40, p37). In the last ten days of May there have been 10,000 registrations for first and second papers, plus 25,000 inquiries. This compares with the office's normal load of 40 applications daily.

The anxiety of industries which may handle defense orders to check on their alien employees and encourage them to become naturalized has spread to the Chicago area and has its counterpart in other manufacturing centers. Particularly vigorous in promoting "Americanization Programs" in Chicago are the Crane Co., Borg-Warner Corp., Western Electric, and International Harvester.

### P. S.

C.I.O.'s EXECUTIVE COUNCIL meeting in Washington was enlivened by violent arguments between United Wholesale and Retail Union's President Samuel Wolchok and Harry Bridges. Issue was Bridges' plan to invade Wolchok's jurisdiction in the East, a dispute first reported two months ago (BW—Apr 13 '40, p37).



## Harder hearted than Hannah!



HANNAH just couldn't say no to any office Casanova who came over to sweet talk a stamp.

Why be stingy about anything so small? With a big force of fast-cracking young salesmen around, the Company used a lot less postage than it paid for... as a Pitney-Bowes Postage Meter subsequently proved!

You can't kid a Postage Meter—"borrow" or take from it. Metered postage isn't until it's *printed*, is cancelled as printed, valueless except on your business mail. Postage used, and on hand, are automatically recorded! You pay only for the postage you use!

In addition to saving postage, the Postage Meter saves time and effort in mailing; saves time in the postoffice, too, as already cancelled and post-marked Metered Mail needs less handling, can get on its way faster... And the Meter can print an advertising slogan—free ad on every envelope!—and seal the envelope simultaneously as it prints the stamp... There's a Meter model for every business, big or little. Call our nearest office for a demonstration in yours!

Branches in principal cities. Consult your telephone directory  
IN CANADA: The Canadian Postage Meters & Machines Co., Ltd.

## THE POSTAGE METER CO.

1413 Pacific St., Stamford, Conn.

PITNEY BOWES



## PRODUCTION

PRODUCTS · PLANT · PROCESSES

### Science Averting U.S. Rubber Crisis

**With Butyl and Ameripol added, the growing family of synthetics promises to solve supply problem before backlog (new and old) is exhausted.**

ON TWO SUCCESSIVE DAYS last week, an oil company and a rubber manufacturer made headlines in the papers with announcements of new synthetic rubbers, and American business breathed more easily at the thought of potential deliverance from "a possible war-time shut-off of Far Eastern crude rubber" (BW—Jun 8 '40, p4). Standard Oil of New Jersey brought forth "Butyl" rubber as a companion to its German-born "Buna"; B. F. Goodrich Co. brought forth "Ameripol," or "Liberty Rubber," as a companion to its rubber-like "Koroseal," which has never been described as a synthetic rubber by its creator.

Add these four materials, the two new and the two old, to Dow's Thiokol and du Pont's Neoprene, which have been in active production and use for several years, and strength is added to the statement made two months ago when Standard decided to build a plant for the production of Buna: ". . . If one cause or another should suddenly cut off natural rubber, most authorities agree that between that time and the time when all reserves of raw and regenerated rubber would be used up, there would be plenty of man-made product for all essentials" (BW—Apr 13 '40, p52). Roughly, there is a three-months' supply of crude rubber (162,000 tons) on hand in this country plus a five-months' supply of finished and semi-finished rubber products—an eight-months' backlog in all.

#### Job Can Be Done Speedily

An eight-months' period is a short one, but some idea of the speed with which a plant for synthetic rubber production may be built and equipped may be gained from the fact that Dow Chemical Co. did just such a job for the production of Thiokol in three months. That is not to say that all the 50,000 tons of crude rubber used monthly in this country could be replaced by synthetics in eight months. As a matter of fact, that would not be necessary with the additional backlog of old rubber which could be accumulated and regenerated under an emergency program.

A telegram from du Pont, in reporting Neoprene production figures for the first time, says: "Neoprene production and

sales exceed 250 tons monthly. Consumption has doubled in last year and increased ninefold since 1936. Expect consumption will continue to increase at rate of 100% a year for some years. Our production will keep pace with demand. Substantial expenditures on Neoprene plant facilities have been made in each of last five years. Spending over two million dollars this year for plant additions." This means that du Pont is today manufacturing synthetic rubber at a higher rate than that of all synthetic manufacturers put together in 1939, when about 1,700 tons were produced.

Since Neoprene is used by all American manufacturers producing a general line of rubber goods and nearly all who produce specialized lines—about 250 manufacturers in all—it should be clear that a backlog of experience in the handling of synthetic rubber has been built up. Hence there should be little or no trouble in making the transition from natural to synthetic, should such be made necessary by war-time emergency. Rubber should undoubtedly be kept in the Army and

Navy Munitions Board's list of fourteen "strategic" materials, but it is due for elision as a major worry, war or no war.

Butyl rubber, the new Standard development, is described as "more nearly a straight petroleum product than its companion," Buna. "The processes involved are more direct and simple, and Butyl is expected to be appreciably lower in cost. A semi-commercial pilot plant is already in operation at the Esso Laboratories in Bayway, N. J. Both the Buna and Butyl synthetic rubbers are superior to natural rubber in respects which are undoubtedly of importance in tire manufacture."

#### "Cracking" Process Applied

Ameripol, the new Goodrich product, is described as "a polymer of American materials," hence its name. The basic material is American petroleum. By what is called the modern "cracking" process, this black sticky liquid is broken down to a mixture of simple molecules. From this mixture can be separated a gas which under pressure liquefies to give butadiene (also used in Buna and Butyl). This is mixed with other ingredients prepared from natural gas and air and then made into a milky emulsion using soap produced from American agricultural sources. Upon heating and agitation, these ingredients react, or polymerize, to form an emulsion of synthetic rubber, which is similar to the latex obtained from rubber trees. From here on, the process of obtaining a sheeted rubber is like that used for natural rubber. The latex is coagulated with acid, producing a curd. This is then sheeted and dried like natural rubber prior to further fabrication.

Last summer, Goodrich built a semi-commercial plant for Ameripol produc-



Basking in the glow of the first production tire made of U. S. materials, Dr. W. L. Semon (center), mixes up a batch of Ameripol, the new syn-

thetic rubber he discovered, for David L. Goodrich, chairman of the board, and John L. Collyer, president of the B. F. Goodrich Co.

tion. This summer, it is building a manufacturing plant with a "daily capacity of several tons." Already the company is in Ameripol tire production with a capacity of from 500 to 1,000 per week depending upon size. In July it is expected that the tires will go on public sale in established trade channels. They are probably going to cost about a third more than natural rubber tires, but, as pointed out by John L. Collyer, Goodrich president, "the point to be emphasized is that in purchasing such tires, motorists are buying not only for immediate service, but also for increased assurance that they can continue to operate their cars, in so far as tires are concerned, in any eventuality."

#### Prices Exert Influence

Firestone Tire & Rubber Co. has taken a license from Standard Oil for the manufacture of Buna and is proceeding rapidly with development and application to its wide line of rubber products. Goodyear Tire & Rubber Co. is making an unannounced "synthetic rubber in a limited way. However, until the price of synthetic is in line with the price of crude rubber, or the price of crude rubber is in line with the present price of producing synthetic, we do not expect to engage in it more extensively."

United States Rubber Co. spokesman says: "Since about the time of the World War, U. S. Rubber has been interested in synthetic rubber and has received a patent on it. Nothing has been done commercially because of the low price of natural rubber. We, however, have used various synthetics where desirable at various times in large production."

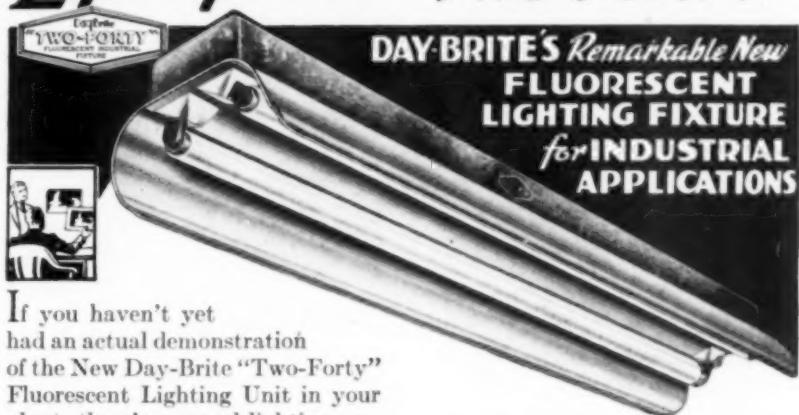
Clearly the price of synthetics will put brakes on their wide adoption until a real shortage of natural crude may appear imminent. The crude price movement from 18 to 22-24¢ per lb. during the past two months will hardly change much rubber tonnage one way or another. It is expected that Butyl will prove cheaper than Buna, that Ameripol may be cheaper than either. There is more to rubber goods than rubber—for instance, steel cables and cotton or rayon cords in tires. Some criterion of future synthetic price movements, not prices, comes from the experience of du Pont with Neoprene. It was originally sold at \$1.05 per lb. It is now 65¢, with further substantial reductions expected as volume grows.

#### Vibic Flour on Sale

General Mills offers it to bakers for vitaminizing white bread; loaves have wheaten flavor.

THE STAFF OF LIFE bids fair to be transmuted into a gold-headed cane as a result of fast-moving nutritional improvements in flour. Most recent of such developments is offered to bakers this week by

## See for Yourself why it pays to Light up with "TWO-FORTY"



If you haven't yet had an actual demonstration of the New Day-Brite "Two-Forty" Fluorescent Lighting Unit in your plant, there's a grand lighting surprise in store for you.

For here is a fluorescent lighting unit that not only gives more than twice the light, but gives softer light without glare . . . gives uniform distribution of light . . . gives cooler light . . . prevents harsh shadows . . . and enables workmen to see better with less eye-effort, less eye-strain, less fatigue.



"Two-Forty" is the fluorescent lighting unit that makes its biggest appeal where easy see-ability is reflected in more work and better output—

in publishing houses, where color proofs must be accurately checked against original paintings . . .

in hosiery mills, where easy inspection and accurate pairing of stockings is so important . . .

in engraving plants, where depth and size are measured in fractional parts of a thousandth of an inch . . .

in candy factories, where high see-ability must be had without excessive heat . . .

in machine shops, textile mills, electric

appliance plants . . . wherever more light and better light bears on productive output and lowered production costs.

**"Two-Forty" is not just another fluorescent lighting fixture. It is the fixture that provides everything you hope to get in fluorescent lighting because it has behind it the complete designing, engineering and manufacturing facilities of one of America's foremost lighting fixture organizations.**

If you want to get ALL the benefits of fluorescent lighting, you simply cannot afford to decide on fluorescent fixtures until you have seen an actual demonstration of "Two-Forty" and have had a real opportunity to note the amazing differences for yourself.

Any leading electrical wholesaler will gladly demonstrate Day-Brite "Two-Forty" in your own plant, at your convenience, without obligation, on request. In your own interest, ask for that demonstration now. Day-Brite Lighting, Inc., 5457 Bulwer Ave., St. Louis, Mo.



# DAY-BRITE FLUORESCENT LIGHTING



Frequently eastern executives with a business problem in California consult Bank of America because this bank, with 495 statewide branches, knows California, and is familiar with the problems of eastern business concerns. If your problem is one of distribution, sales volume, location of a factory site, or strictly one of banking, write the Business Extension Department, Head Office, San Francisco or Los Angeles.

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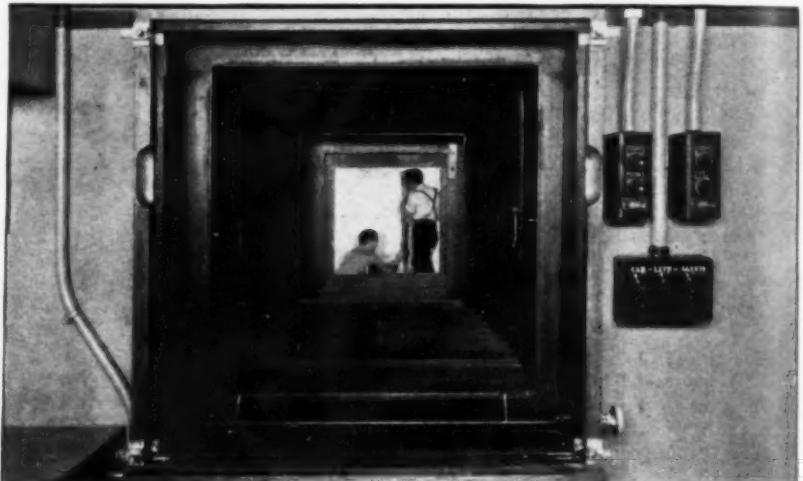
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## Full-Scale Photography Speeds Plane Production



IN ONE YEAR, Glenn L. Martin Co. of Baltimore is saving approximately \$80,000 in engineering costs and at the same time speeding up airplane production through its utilization of large-scale phot-

ography. In the "loft," on a raised floor, engineers lay out whole airplanes and their parts in full scale. Stress analysis fill in the details of stringers, spars, and bulkheads.



NEXT A GIANT CAMERA proceeds to make a negative of a particular layout drawing. After development it is projected onto large sheets of aluminum alloy which have been sensitized like photo-

graphic paper. When such a sheet (the maximum standard size is 10x5 ft., but it can be larger) is developed, the drawing appears in exact scale—or in fractional or multiple scale if it appears desirable.



No longer do craftsmen in shop and tool room work from scale drawings for parts, jigs, dies, or fixtures. Finished or semi-finished work can be laid directly on the aluminum photograph for the purpose of

dimension checking. Frequently patterns and templates are cut directly from the aluminum. Less frequently the camera magnifies drawings in order to allow for "shrinkage" in castings.

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General Mills, Inc., Minneapolis, in the form of Vibic (etymology: Vitamin B<sub>1</sub>, iron, calcium—only G is slighted) flour and Vibic concentrate for making white bread. Vibic flour, say the makers, contains exactly as much of Vitamins B<sub>1</sub> (thiamin) and G (riboflavin, also known as Vitamin B<sub>2</sub>), calcium, and iron as the whole wheat berry.

The products were launched with an acceptance by the Council on Foods of the American Medical Association. The company's handsome brochure, "New Progress in Bread Nutrition . . . through Research," cites eminent medical authority on the importance of "vitaminizing" white bread, called the best and cheapest source of food-energy.

#### From the Natural Grain

The improvement is achieved without benefit of wheat germ. General Mills pays its respects to efforts in that field, but points out that the germ contains only 20% of wheat's B<sub>1</sub> content. Furthermore, the company says, addition of enough commercial wheat germ would hinder bread-baking and even if the result were bakeable, would bring *only* the B<sub>1</sub> content to the whole wheat level instead of *all* the nutritional factors.

Vibic's B<sub>1</sub> is obtained by General Mills from natural grain in the milling process; additional Vitamin G, calcium, and iron are blended in at the mill.

The baking trade has tried in vain to give the consumer increased nutritional values through whole wheat and wheaten loaves. But he just won't eat them, for with all the talk no more than 2% of the flour consumed today is whole wheat. He definitely prefers his bread white.

Similar in baking characteristics to regular patent flour, Vibic flour turns out a loaf creamier in color and having a distinctive wheaten or "nutty" flavor. Vibic concentrate, an ingredient to be added by the baker (1 lb. concentrate to 200 lbs. flour) is undetectable in the finished product by sight or taste, although the nutrients are there 100%.

The new products are being offered only to commercial bakers; presumably the family trade will be considered after a try-out.

#### Vitamin-Consciousness Spreads

Much of the experimental work was done at the company's research laboratory at Minneapolis.

Since vitamins have become a \$100,000,000 business, the millers of the country almost to a man have grown vitamin-conscious. Grain mill machinery makers are rapidly developing special equipment designed to meet the vitamin demand. Commander-Larabee Corporation has for years been producing irradiated, or "vitalized" flours under Steenbock (University of Wisconsin) licenses. Pillsbury Flour Mills Co., also of Minneapolis, is said to be preparing an important announcement.



## ENJOY THE ADVANTAGES OF MODERN OFFICE EQUIPMENT

Modern Globe-Wernicke office equipment enables people to accomplish more work with less effort, keeps office routine operating smoothly, increases efficiency and economy.

Globe-Wernicke offers you a wide variety of dependable filing equipment and supplies, desks, tables, bookcases, visible records, and office accessories. It is part of our service to study customers' requirements and recommend equipment and methods for individual needs. Our local dealer will gladly give you more information, or write direct to us.



Special features of construction and design make Globe-Wernicke steel desks desirable for executive and general office use.

**The Globe-Wernicke Co. . . CINCINNATI, O.**



- Each year millions are lost through water damage to stored merchandise, rusting of machinery and loss of working space.

This damage is the result of water penetrating through walls of industrial buildings. When building, insist that all concrete and mortar be waterproofed with Medusa lifetime waterproofing. Medusa Waterproof White and Gray Portland Cements, Medusa Concentrated Waterproofing Paste and Medusa Waterproofing Powder have been keeping industrial interiors dry for 33 years. Whether you are building or are having trouble with dampness in an existing building, write today for a copy of the book, "How To Make Good Waterproofed Concrete," which tells how to prevent damp warehouses and basements.

# MEDUSA

## WATERPROOFING

MEDUSA PORTLAND CEMENT COMPANY  
1009 Midland Building • Department W • Cleveland, O.

Gentlemen: Please send me a copy of the book, "How To Make Good Waterproofed Concrete."

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City \_\_\_\_\_ State \_\_\_\_\_

Medusa Products also made in Canada by Medusa Products Co. of Canada, Ltd., Paris, Ontario



# THREE WEEKS AGO

## WE MADE THIS ANNOUNCEMENT

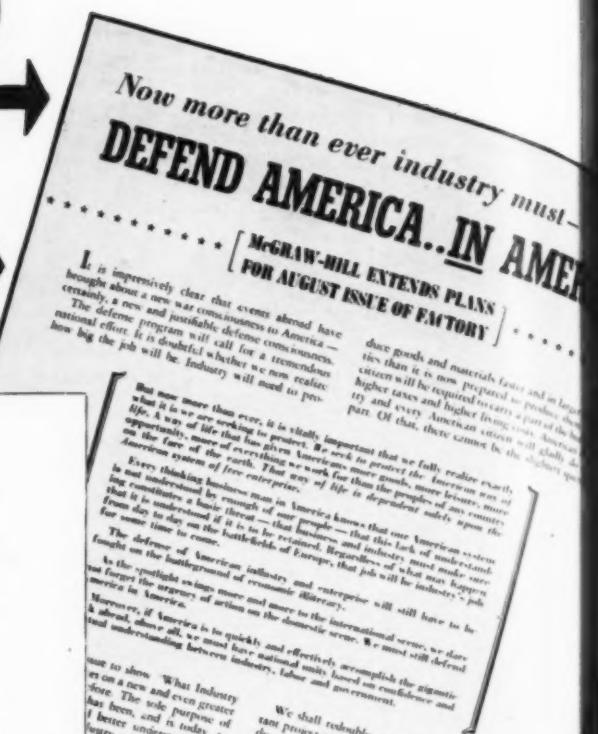
### Executives Throughout The Country Agree That "It Is More Important Than Ever to Defend America in America"

● We made the statement, in the advertisement shown here, that it was of paramount importance, as America faced its gigantic defense task, that we have national unity based on confidence and mutual understanding between industry, labor and government. And, we also declared that a lack of understanding in our country of the American system of free enterprise constituted our greatest present threat to national unity.

We reiterate that "as the spotlight swings more and more to the international scene, we dare not forget the urgency of action on the domestic scene. We must still defend America in America. The defense of American industry and enterprise will still have to be fought on the battleground of economic illiteracy."

It has been inspiring to have received from business men all over the country written and verbal confirmation that only upon the sound foundation of understanding of America can we solidly build national unity.

So again we repeat that we are redoubling our efforts to make FACTORY's August issue "What Industry Can Do For America" the most useful tool industry has ever had to bring about a deeper and better understanding of America and American industry among those, in industry, who have the opportunity and privilege, constructively, to tell industry's story to the millions of people they employ.



McGraw-Hill advertisement in May 25th issue of Business Week

If you would like to know how you can participate in this important project, write today and we shall be glad to send you full information, promptly, without cost or obligation.

ABC  ABP

McGRAW-HILL PUBLISHING COMPANY, Inc.  
330 West 42nd Street, New York, N. Y.

## NEW PRODUCTS

## Automatic Tack Driver

IT LOOKS like a standard Hansco staple driver, but it's the new Hansco Tacker for driving special, single-pointed, wire



tacks as fast as one can squeeze the lever. A. L. Hansen Mfg. Co., 5130 Ravenswood Ave., Chicago, makes it to handle tacks in four lengths from  $\frac{1}{8}$  to  $\frac{1}{2}$  in. Uses range from tacking upholstery on furniture to sign posting to attaching shipping labels.

## Thread Compound

COMPOUNDED TO REPLACE white lead as a sealing paste for screw threads, pipe threads, flange and gasket joints, Collinite Paste No. 7 is said to be insoluble in water, steam, kerosene, tar, etc., as well as non-hardening, non-freezing, corrosion-resistant. It is produced by Collins Packing Co., Inc., 401 N. Broad St., Philadelphia.

## Two-Gun Welder

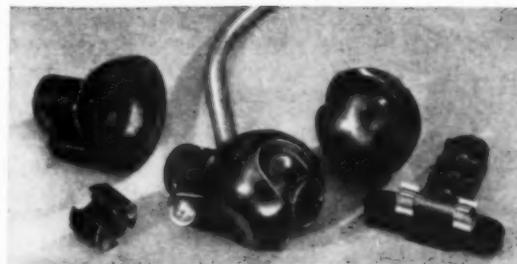
EQUIPPED with pneumatic tires, the new Progressive Two-Gun Portable Spot



Welding Unit may be wheeled easily from one assembly location to the next. When the unit is to be used for two different types of work, Progressive Welder Co., 3006 E. Outer Drive, Detroit, will

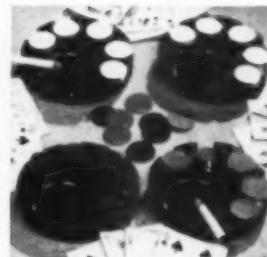


THE LAST WORD in combination radio and record player cabinets is—Durez! Witness the new "Serenade," designed by Sonora, where Durez strikes a new high note in beauty and durability.



THE DIRECTIONAL signal control for the Teleoptic Finger Flip Switch is molded of brown mottled Durez Plastic—giving this much used accessory rugged strength with beauty.

WEAR RESISTANCE, cleanliness and handsome appearance are combined in the new Poker Chip Ash Trays. Both trays and chips are molded of Durez, and designed for nesting when not in use.



AGAIN DUREZ unlocks the gate to a new and promising field for product development. This time it's cabinets for combination radio and record players—as strikingly typified by the handsome new Sonora Serenade shown here!

This important application of Durez is not based on experiment—but the best possible *experience*. It is the direct result of Durez leadership in the table radio field—where already hundreds of thousands of these units have cabinets of this versatile phenolic plastic.

Although thousands of products

are now molded of Durez to gain greater beauty of form and color, lighter weight, increased strength and many other features, each month sees new uses for these plastics. For the experience of manufacturers, designers and molders proves that few materials fit so well into any type of design! Our engineers have helped hundreds of other manufacturers solve difficult problems with Durez, and they will be glad to work with you. Just write:

DUREZ PLASTICS & CHEMICALS, INC.  
646 Welch Road, North Tonawanda, N. Y.

**DUREZ PLASTICS & CHEMICALS, INC.**

Plastics That Fit The Job

**BUSINESS GIFTS**

**MEMO-MASTER**  
with  
Roll-A-Way Top

Combines utility trays, perpetual calendar, memo-paper tray, and automatic pencil. Write for quantity discounts and catalog of more than 50 appropriate business gifts.

PRECISION MADE BY  
**PARK SHERMAN CO.** 160 E. OHIO ST. CHICAGO

**BENEFICIAL INDUSTRIAL  
LOAN CORPORATION**

**DIVIDEND NOTICE**

Dividends have been declared by the Board of Directors, as follows:

**PRIOR PREFERENCE STOCK**  
\$2.50 Dividend Series of 1938  
62½¢ per share

(for quarterly period ending June 30, 1940)

**COMMON STOCK**  
45¢ per share

Both dividends are payable June 29, 1940 to stockholders of record at close of business June 15, 1940.

E. A. BAILEY  
Treasurer

**LOEW'S INCORPORATED**  
"THEATRES EVERYWHERE"

June 7th, 1940.

THE Board of Directors on June 5th, 1940 declared a dividend at the rate of 50¢ per share on the outstanding Common Stock of this Company, payable on June 29th, 1940 to stockholders of record at the close of business on June 18th, 1940. Checks will be mailed.

DAVID BERNSTEIN  
Vice-President & Treasurer.

**METAL PRICE CHART**

*Graphical and Statistical  
Record of*

**E & M J METAL PRICES**

A 43-year Record  
of Authoritative Prices  
Of Copper, Lead, Zinc,  
Silver, Tin

Compiled and Published By

**Engineering and Mining Journal**

330 W. 42nd St., New York

Price \$1.00

Chart 28 x 40 in.

equip it with a special weld timer having two separate control dials.

**Gummed Reinforcements**

AFTER SUCCESSFUL TRY-OUTS in several large business organizations, Lincoln Laboratories, 410 Park Square Bldg., Bos-



ton, will proceed with national distribution of the new Pre-O-Tabs—400 gummed reinforcements for the perforations of loose-leaf sheets on a patented holder. Users report that the doughnut-shaped reinforcements can be applied in a fraction of the usual time.

**Gasoline Nozzle**

AN INGENIOUS VALVE in the new Safety-Fill Gasoline Nozzle shuts off automatically without overflow or spillage the moment a tank is filled. American Machine & Metals, Inc., East Moline, Ill., is giving it a 30-day test in filling stations at Fremont, O., prior to national distribution.

**Multi-Purpose Tool**

LAST SUMMER, H & H Research Co., 1925 W. Buena Vista St., Detroit, brought out a reciprocating electrical tool for remov-



ing the last "ten-thousandths of an inch" in special machine and die work (BW—Jul 15 '39, p 42). Now the company is ready with a more powerful new Series "C" Multi-Purpose Tool with 30-40-lb. push or pull, instead of the former 6-16 lb. It may be used on a variety of work to file, burr, snag, hone, lap, polish, saw, or chip at 1250-1400 strokes per minute.

**P.T.M.**

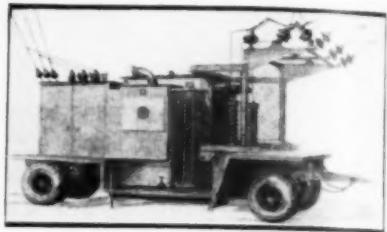
DESCRIBED as neither a tracing cloth nor a vellum, but considerably stronger than the latter, P.T.M. is a new translucent medium for engineering drawings. According to the manufacturer, Frederick Post Co., Hamlin & Mannion Sts., Chicago, pencil drawings made on the medium will make blueprints as sharp as those from ink tracings on other media.

**Two-Faced Blotter**

BOTH FACES of the new Post Blotter, produced by Wrenn Paper Co., Middletown, O., are finished with high-grade enameled paper. Advertising message goes on one side, mailing address on the other. When the recipient peels off the addressed side, he has a blotter.

**Trailer Substation**

IF IN THE COURSE of defense preparations, or in everyday manufacturing, there



should be a power emergency or a demand for temporary extra transformer capacity, then haul in a new G-E Portable Substation, ground it, elevate a retractable high-voltage disconnecting switch, run connectors to the high-voltage and low-voltage lines. General Electric Co., Schenectady, N. Y., has just developed it in several capacities.

**Stamp Mounters**

TO PROTECT and mount valuable stamps in collections with complete visibility fore and aft, Grossman Stamp Co., 102 W. 42nd St., New York, is bringing out Protecto-Mounts. They are flat, transparent tubes made of Lumarith Protectoid, a product of Celluloid Corp.

**Movie Fader**

WHEN THE NEW Filmo Fader is attached to almost any amateur movie camera, an adjustable arrow indicator shows the



end of each fade in the view finder. Bell & Howell Co., 1801 Larchmont Ave., Chicago, makes it for "fade-ins, fade-outs, wipe-ons, wipe-offs, lap-dissolves" and other "professional effects." The fader can be mounted at any angle, so that wipes may appear and disappear from any direction.



140  
120  
100  
80  
60  
40  
1929

## MONEY AND THE MARKETS

FINANCE · SECURITIES · COMMODITIES

### Commodities: Everyone's Problem

**Law of supply and demand still operates, but whose demand and whose supply become difficult questions as war widens. U. S. crop situation complicated.**

OLD LAW of supply and demand is still there, but where are the factors that interplay once determined the balance? Important changes took place when war broke out last September and these have been emphasized by the United States' neutrality position. Further disruption came with invasion of Norway, and still when Germany overran the Low Countries and northeastern France, and the closing of the Mediterranean could seem just about to cap the climax. The American who is in the market for commodities or who wants to sell his own production of raw materials abroad could have relatively little trouble stating the new factors in supply and demand. Here are some typical questions: Will the war spread farther or have we seen the beginning of the end? Will shipping space be available? How high will ocean freights go and how much will war risk insurance boost prices? Who will win markets and who will lose them? How much crop destruction has there already been in Europe and what about manpower for the harvest?

Steepest reflection of the changed situation, particularly that caused by the closing of the Mediterranean, was seen this week in soaring quotations for products like tin and rubber which usually

come in large quantities through Suez and Mussolini's "mare nostrum." Britain and France began to inquire at once for more American quicksilver on the assumption that they will get none from Spain and Italy. The possibility that Il Duce's navy and air force will block the middle Mediterranean, thereby shutting Britain and France off from Rumanian and Iraq petroleum, brought hope for higher prices and better profits for American producers.

#### Resort to 1933 Device

Far more difficult to analyze are the positions of the United States exportable farm products—notably wheat and cotton. Take wheat, for example. The price dropped so fast as the Nazi machine swept all before it that prices had to be pegged on the nation's future markets. It was the first time that a minimum price had been placed under wheat since the commodity collapse in summer, 1933.

Steady improvement in domestic crop prospects has tended to prevent wheat prices from getting much above the fixed minimum. Inasmuch as the peg wasn't doing much good, and as the panic seemed to be over, the minimums were removed this week.

Six months ago it looked as though the



### To capitalize your greatest asset—yourself

This country was built up by the initiative and ability of the people. But these qualities—great though they are—could not have accomplished so much without the aid of bank resources.

#### Growth in manufacturing

A manufacturer builds up his business until orders are coming in faster than he can fill them. He brings his problem to the Bank of the Manhattan Company. A loan is arranged to increase plant facilities or buy more raw materials.

#### Growth in retailing

A retailer finds his own capital insufficient to permit him to stock his shelves with the variety and quantity of merchandise his growing trade requires. A bank loan enables him to round out his stock.

#### Growth in real estate

The owner of a building conceives the idea of dividing his unprofitable ground floor into a number of easily rentable shops. Credit, provided by this Bank, enables him to go ahead with the modernization.

#### Growth for your business

Perhaps this Bank can help your business. Why not write us or come in and talk over your problems?

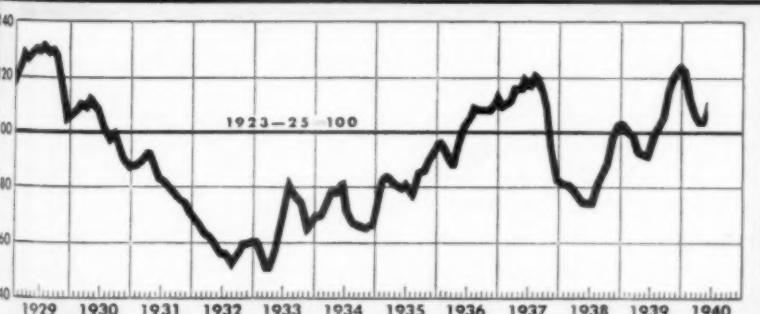
**BANK of the  
MANHATTAN  
COMPANY**  
NEW YORK

Member Federal Deposit  
Insurance Corporation



Chartered 1799

### Monthly Index Sharply Higher in May



BUSINESS WEEK'S Monthly Index for May rose to 111.7—6½% higher than April's 104.9, and 20% above the May low of 92.8, recorded last May.

In view of the continued advance in the first two weeks of June, the expectation is that at least as large a gain will be shown this month.

United States would hardly produce 400,000,000 bu. of winter wheat; this week the Department of Agriculture hiked its estimate to 480,000,000 bu. The spring wheat harvest now looks good for about 230,000,000 bu., which would bring the total production for 1940 to 720,000,000.

The Department of Agriculture figures

that there will be about 290,000,000 bu. of old wheat on hand when the new crop comes to market. Adding that to the year's crop, total supply would be over 1,000,000,000 bu. That would exceed normal domestic requirements by more than 300,000,000 bu.—and the outlook for exports isn't any too rosy.

Chiefly by means of the export sub-

sidy, the United States sold abroad 1,000,000 bu. in the 1938-39 season, ports in the current crop year, ending June 30, probably won't be more than 50,000,000 bu. Belgium and Holland, which have been buying about 60,000 bu. a year from various sources, will be out of the market. Canada will be the main supplier of the Allies, leaving

## Stock Market Confirms Its Own Strength

STOCK PRICES this week staged the most vigorous recovery since the collapse which started last month. The rise was touched off when Italy dispelled uncertainty by declaring war. It gained momentum after Roosevelt's speech intensifying the drive for preparedness and for material aid to the Allies. It burst forth in full force Wednesday when buying began buying. The ease with which the market rose would tend to bear out the statement in this place two weeks ago that "stocks have declined to a point where prices more than discount the possibilities of peace." The way investors have gone after heavy industry shares indicates that they believe rearmament assures pretty good domestic business even if war orders are canceled tomorrow.

Another inherent point of strength in the present market is that it is a cash affair to a greater degree than at any time since the depths of the depression. Brokers' loans (as represented by Federal Reserve members' loans to brokers, dealers, and others for purchase or carrying of securities) on June 5 dipped to \$912,000,000. That's a drop of \$188,000,000 in a single month and of nearly \$470,000,000 from last December's high.

It is interesting to recall that the speculative position of the market was considered very thoroughly washed out early in 1938. Six months of extremely weak markets had cut stock values just about in half. Yet, even after that very extensive elimination of weak margin accounts, brokers' loans still totaled \$250,000,000 more than they do at the present time. Significant fact is that margin accounts, even though they always must be a source of forced liquidation in a declining market, have barely been a source of so little danger as right now.

### Clamp Down on Pound

One of the week's most interesting financial developments was the adoption of a ban on "free" sterling by the British. The British, obviously, wanted the strict control over trade permitted by a completely "blocked" currency instead of letting the pound drift, part free and part blocked.

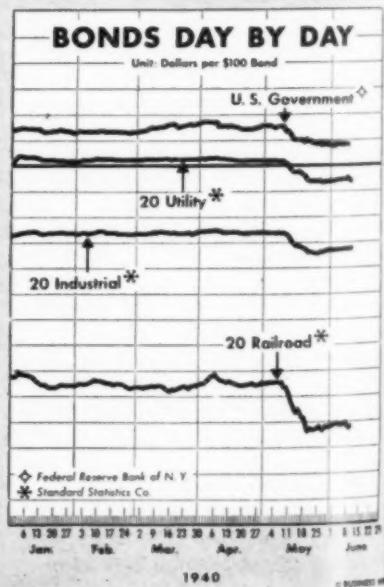
It has been stated quite generally that England took this action because it had been "losing money" on those of its exports sold for free sterling. The fact seemed simple: If an American buyer bought free sterling for \$3.15 or \$3.25 and was able to exchange it for goods worth £1 in

England, the British weren't getting as many dollars in the transaction as if the American had been forced to buy official sterling at \$4.03 1/2.

One of the little jokes of foreign exchange is that a transaction rarely is what it looks like at first glance. This is no exception.

Free pounds arose largely from sales of foreign goods in England. For example, an Argentine sold beef and agreed to take payment in pounds. He wound up with a sterling balance in London; but he didn't want to buy British goods. Instead, he sold those pounds to somebody in the United States, and to get dollars he accepted a discount from the official British rate. The American took the cheap pounds, bought British woolen goods.

Clearly the Britisher who bought beef paid for it in pounds and his compatriot also got pounds for his woolens. There's no loss in that. The Argentine who sold to the American took whatever loss there was. Only if the Argentine raised his price on the beef to allow for exchange loss did Britain get stuck. But even if he did, he had to meet world prices for beef. Completely blocking the pound, then, simply gives the government a better curb on prices in import-export trade.



United States, Argentina, and Australia scramble for the remaining world share. Even the export subsidy looks to the authorities in Washington for such circumstances.

The cotton situation, if anything, is even more complicated than that of England, in any ordinary year, can be counted on to take 1,250,000 to 1,300 bales of American cotton, and up to use 700,000 more. Germany and Italy steadily have been reducing purchases in the United States, but at the lowest recent year's figures they bought more than 700,000 bales in this country. Belgian and Netherlands mills usually consume 600,000 bales a year. All growths, and from 200,000 to 300 bales come from the United States.

#### Market Contracts

During the 1925-34 period, the United States, Germany, France, Italy, Belgium, and Holland imported an average of 1,300,000 bales of cotton (adding Czechoslovakia's takings to Germany). The United States got more than half its business in pre-depression years, but hasn't been doing nearly that well of late. Even so, it has been quite a market. Now Germany, Italy, Belgium, and Holland are shut off from American cotton entirely. Moreover, most of France's cotton mills are in the German-occupied zone so that demand from the war zone is further curtailed.

Supply conditions being what they are, there is no telling whether Britain will get any major part of its requirements from India, Egypt, Uganda, and Anglo-Egyptian Sudan. These areas, together, are good for an average of some 600,000 bales a year. It may turn out that the United States, Brazil, and the Argentine are the most logical sources of British supply.

As things stand now, the Department of Agriculture is definitely pessimistic about the export outlook. Federal loans for storage of surplus cotton, by now so familiar to all concerned, seem likely to be the main support of the market when the new cotton year opens Aug. 1. And Commodity Credit Corp. officially estimates that it will own or have a lien on at least 10,500,000 bales and possibly as much as 12,500,000 bales when the season ends in July, 1941.

S.

VERNMENTAL representatives of the largest Latin-American coffee producing countries met in New York this week to see what could be done about their product with war almost terminating European imports. They agreed to destruction of surpluses, production control, and export quotas. Remembering the flop when export quotas were tried a couple of years back, observers were skeptical on results.

**Your Machine Tool Output**

**DOUBLED OVERNIGHT**

**An Amazing CONTRIBUTION To National Defense**



In the present National Emergency, every possible measure must be taken to speed up production not only of armaments such as airplanes, guns, tanks and battleships, but also vital auxiliary equipment including trucks, tractors, railroad cars, locomotives and other steel products.

Fortunately, the capacity of existing equipment for machining steel parts can be doubled almost overnight by equipping them with KENNAMETAL-tipped tools. These tools can be quickly installed and their use requires little change in present shop practice.

KENNAMETAL, a new discovery in carbide tool materials, machines extremely hard steel at greatly increased speeds and with far less "down time" for resharpening tools. Do your share to speed up National Defense—wire, write or phone today for a free survey to show how KENNAMETAL can double production of steel parts in your plant. No obligation—act now!



**MCKENNA METALS Co.**  
229 LLOYD AVENUE  
LATROBE, PENNSYLVANIA, U.S.A.

## "Factories for the Forties"

ONE OF THE first signs of America's defense preparations will be the expansion of plant facilities on many a manufacturing front.

If yours is one of those companies needing new buildings, or renovation of present quarters, you will find particularly helpful a special report published in *Business Week* last January. Under the title, *Factories for the Forties*, it was designed to advise executives on everything new and significant in plant design, construction, and modernization.

The information provided in this special report covers a wide range of construction subjects. It deals with materials, trends, construction economics, and techniques of design. Its primary purpose is to facilitate cooperation and insure understanding between all parties to a construction.

If your January 27, 1940 copy of *BUSINESS WEEK* is no longer at hand, a small supply of *Factories for the Forties* is available at *Business Week's* Editorial Offices in New York.

United States would hardly produce 400,000,000 bu. of winter wheat; this week the Department of Agriculture hiked its estimate to 489,000,000 bu. The spring wheat harvest now looks good for about 239,000,000 bu., which would bring the total production for 1940 to 728,000,000.

The Department of Agriculture figures

that there will be about 290,000,000 bu. of old wheat on hand when the new crop comes to market. Adding that to the year's crop, total supply would be over 1,000,000,000 bu. That would exceed normal domestic requirements by more than 300,000,000 bu.—and the outlook for exports isn't any too rosy.

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sidy, the United States sold abroad 1,000,000 bu. in the 1938-39 season. Exports in the current crop year, ending June 30, probably won't be more than 50,000,000 bu. Belgium and Holland, which have been buying about 60,000 bu. a year from various sources, will be out of the market. Canada will be the main supplier of the Allies, leaving

United States, Italy, Germany, France, and other countries to use their own supplies.

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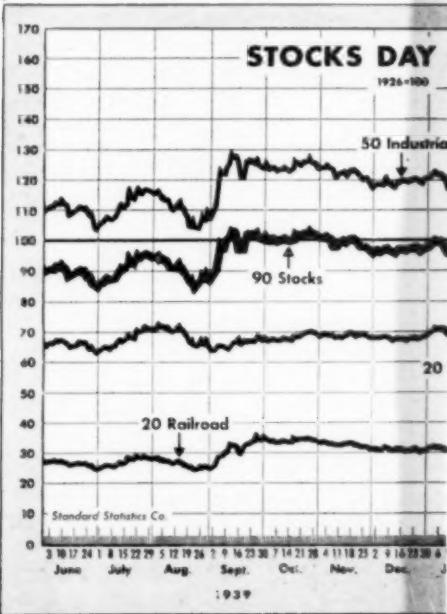
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**TIGHT  
BOUNCE**

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HTLY  
UND

## BUSINESS ABROAD

FOREIGN TRADE · INTERNATIONAL AFFAIRS · FOREIGN INDUSTRY

### Canada Building War Plans Anew

**About 200 war contracts being placed daily as result of changeover necessitated by German onslaught. Aircraft, tanks, and other motor equipment affected.**

OTTAWA (Business Week Bureau)—Canada's war plans and war activity, all ruthlessly scrambled by Hitler's decision to attempt a showdown in total war this year, are now being frantically revamped and reorganized. The changeover is designed to meet the situation created by three pivotal developments:

(1) Britain's request for all the equipment Canada can supply immediately.

(2) Britain's inability in the new crisis to supply new equipment for the air training scheme in Canada (shiploads of training planes for the Dominion were turned back in mid-ocean two weeks ago).

(3) The sudden development of the need for the maximum possible Canadian contribution to the Allies as quickly

as possible instead of bringing it to a peak in 1941 and 1942 as had been the British-Canadian plan.

Roughly outlined, immediate developments in the changeover are:

**Air training:** Canada has taken complete charge of the education of fliers and changed the Empire project from a long-haul to a quick-action basis. Immediate object is to turn out pilots and fighter crews for war service as fast as they can be trained. The original plan, in contrast, called for producing instructors in large numbers this year so that the full flow of pilots and fighters could be reached next year or in 1942. A number of American airmen are now being used as instructors. Trained Canadian pilots are already being sent to Britain for

active service. Flying fields are being rushed and all frills and special buildings are being forgotten.

**Air-training equipment:** Britain's ability to supply training planes is being met by speeding up production in Canadian aircraft plants and by effort to secure planes—no longer necessarily latest models—from the United States. War Supply Minister Howe, on a recent visit to New York a few days ago, is understood to have ordered a large number of airplane engines.

**Bombers and fighter craft:** Canadian Associated Aircraft Limited's \$40,000,000 order from the British government for bombers will be seriously affected if Canada can't supply the engines and raw materials, as originally contracted.

#### May Turn to U.S.-Type Bombers

This company, made up of six Canadian aircraft manufacturers, was organized in 1938 to receive British orders. It got a \$10,000,000 contract for Handley bombers in 1938, and a \$30,000,000 order for Stirling 4-engine planes last February. It has built two assembly plants, one near Montreal and one near Toronto, and the production stage has been reached on the first order, but the company had trouble getting certain parts from Britain even before the intensification of the war on May 10. Because the critical developments of the last few weeks consideration is being given to a switchover to the production of American-type bombers, but plans are embryonic.

**Tanks:** The Ottawa government placed an order for 300 tanks with Canadian Pacific Railway's Angus Shops in Montreal and has sent a mission of engineers to Britain to settle the question of what additional tanks are required and can be built in Canada. This order was as a result of a special session this month in which government leaders and industrialists studied plans for a 40-ton 4-engine tank with 4-in. armor plate. Neither the required engine nor armor plate of that thickness is made in Canada, but it is claimed both are possible.

#### Crisis Disciplines Tactics

In January, Britain placed an order in Canada for 100 medium-sized tanks. Canada, but before production was organized, London changed the specifications and later canceled the order, following the haphazard tactics characteristic of London until the recent changes in government and the serious turn of events in France speeded war plans. Defense leaders in Ottawa declared a week ago that Canada may attempt to procure tanks in the United States, though American plants are not yet set up to produce tanks except for one order of 600 placed last fall.

**Other motorized equipment:** Britain's emergency appeal for war materials has been met by the shipment of all man-

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from the large and complete stocks of

Ryerson Certified Steels. There are more than 10,000

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and military equipment Canada can spare. General Motors at Oshawa and Ford at Windsor are turning out army contractors at the rate of 200 a day and production is being stepped up. A \$13,000,000 order for another type of heavy army vehicle has been placed, Ford and General Motors to produce its chassis and engines, other companies to provide the wheels and other parts. Orders for bodies will follow. Canadian automotive manufacturers have nearly completed production on a \$14,000,000 order placed in March. Canadian automotive plants are toolled for production of 60,000 units of motorized equipment a year and capacity is being enlarged. Suspension of pleasure car production is discussed.

**Ammunition:** London has asked par-

ticularly for small arms ammunition from Canada and a number of companies are now being examined as to their ability to turn quickly to its production. Shell production is also being increased. A new explosives plant is being completed in northwestern Ontario and this week contracts were let for an \$8,000,000 shell-filling plant, to be built by Canadian Car & Foundry Co., and a \$12,000,000 nitro-cellulose explosives plant.

About 200 war contracts are being placed per day by the Department of Munitions and Supply. In the latest week available, total orders touched the \$12,000,000 mark. A ruling this week requires that all labor disputes in plants engaged on war contracts must be re-

ferred to the federal government, which will investigate. Interruption of production is forbidden. War orders to date approximate \$165,000,000. Emergency moves are steadily boosting Canada's war costs. Three weeks ago the first year's budget estimate was raised from \$600,000,000 to \$700,000,000. Now it seems to be approaching the billion dollar mark. Because of the steady increase in commitments, final vote on the budget is being delayed.

The government is looking for a top-notch business man who can be trusted with dictatorial powers to complete the mobilization of Canadian industry for the maximum possible contribution in the shortest possible time toward the defeat of Hitler's total-war plan.

## Briefed from the Cables

**Moscow (Wireless)**—Watch for important developments in Soviet-Japanese relations which may have an important bearing on future United States policy in the Far East. Settlement of the Russian-Japanese boundary dispute along the Manchukuoan-Mongolian frontier paves the way now for the resumption of large-scale trade talks. Tokyo has had trade negotiators in Moscow since last December, but every pretense at carrying on formal discussions was dropped early last April.

Settlement of the border dispute with Moscow and the resumption of improved trade relations would give Japan a freer hand to press for a settlement of the China question and play an active rôle in the future adjustment of the explosive colonial question in southeastern Asia.

**Moscow (Wireless)**—Old timers in the foreign colony in Moscow attach a good deal of significance to the probable opening of formal trade talks with the British this month. Kremlin officials have declared repeatedly since they made their non-aggression pact (BW—Aug 26 '39, p11) and trade deal (BW—Jun 1 '40, p47) with Germany that they are prepared to trade with Britain on the same free basis. Which means, according to no less an authority than Premier Molotov, that they are willing to guarantee that no British goods will be transshipped to Germany as long as Britain and the Reich are at war, but that they will tolerate no other British interference with Soviet-German economic relations.

The foreign diplomatic community is increasingly of the opinion that Russia—particularly since Italy went into the war—hopes to play the rôle of a peace intermediary when the time

arrives, and that prearranged accords with Germany set a limit on the dismemberment of the Allied empires. While the Soviets look on the dwarfing of the present British Empire as necessary to the expansion of their own power, they are expected to insist on keeping Britain and France proper intact if the war ends with a Hitler victory. Without being exhausted by war, Moscow hopes to play a major rôle in the redistribution of the world's colonial empires in such a way as to leave Paris and London enough colonial territory to support them and provide a balance to an enlarged Germany. But Germany and Japan, the Russians believe, must be given colonies rich in raw materials so that they will not turn on the Soviet Union at some future time to satisfy their claims for *Lebensraum*.

**BERLIN (Wireless)**—Critical observers in Berlin view Italy's entry into the war with mixed feelings. For the moment it means that not even the trickle of German exports which have "escaped" in one disguise or another through the British contraband control points at each end of the Mediterranean will leak through to world markets. At the same time, Germans who are familiar with Italy know that the country is bound to be an economic liability in anything more than a blitzkrieg, for Italy has no important wartime raw material within its own borders except mercury, and is dependent for 70% of its normal industrial raw materials from sources outside the Mediterranean. Germans even doubt the ability of Italy to maintain its shipments of food supplies to the Reich for long.

On the other hand, the Italians are expected to cut off immediately the

eastern Mediterranean region to both England and France. To both, it means the loss of important oil supplies and the chance of maintaining supplies for the Allied fleet and army bases in the East. And, it is expected to put an end to huge Allied purchases of Rumanian oil. Though not necessary to the Allied oil supply, these purchases have cut into the potential supplies for the Germans.

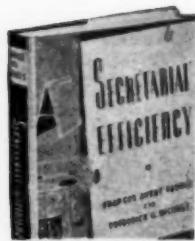
**BERLIN (Wireless)**—What are Hitler's peace terms?

Germans believe that they are being discussed already with agents of the Allies in neutral capitals—particularly Moscow—though probably as a result of almost continuous Nazi victories they are so overwhelming that they are not yet being considered seriously by London and Paris.

Clews to Nazi thinking along these lines appeared in the well-known *Deutsche Allgemeine Zeitung* this week in an editorial discussing possible economic peace terms which could be expected as a result of a thorough understanding of "Hitler's doctrine" for the future organization of Europe, which at the same time can be expected to "sterilize and negate the whole Monroe Doctrine":

Full employment, reasonable self-sufficiency within the Continent, elimination of speculative price fluctuations, secured sales through interstate marketing regulations and agreements, and possibly some "standard device" for adjusting mutual clearing claims of members of the Continental European bloc. As they stand, these features of the plan are reasonable. As they might be interpreted, however, they could make it impossible for anyone to trade with such a "bloc" except on Hitler's own terms.

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## THE TRADING POST

### Social Gains?"

In discussing the national defense program, some administration spokesmen have declared rather emphatically that we are not going to give up any of our "social gains." Now it seems to me that we're making an ominous start on a defense program when we begin by talking about what we won't give up. For if anyone thinks that a nation can embark on an armament program such as we are contemplating without its people either giving up something they now have or working a damned sight harder than we do, he must be either a misguided innocent or a politician facing an election campaign.

Let's back off a little from the ideologies and slogans of American politics and take a look at what an armament effort means in terms of "social gains," standards of living, or what have you.

\* \* \*

Every nation has a certain productive capacity. It is measured by the total of what its people can and will produce—either more nor less. It takes the form of so many commodities—like ships and planes and sealing wax, artillery and ammunitions, and so many services—like transportation, hospitals, schools, electric utilities, soldiers, and relief. Into all these commodities and services we pour the productivity of the nation. That's what we have to show for it.

This capacity is an elastic quantity. It can vary with several factors, as for instance, the actual operating capacity of existing facilities; the willingness of investors to risk their funds in building additional facilities or even in keeping old ones up to the mark; the number and skill of the workers; the number of hours per week each worker is able and willing to work; the intelligence and effort he puts into that work. There are more such factors, but this gives an idea of what limits productive capacity.

Normally, most of this capacity goes into making and distributing the things and services the people want to help them enjoy life—necessities, conveniences, comforts, luxuries. These determine what we call the "standard of living." For all practical purposes, the standard of living depends on our actual production of the things we use in living.

\* \* \*

Now along comes "national defense." All that means is that a whole lot of the productivity of the nation's factories and workers will be diverted to making certain things and rendering certain services that the individual has nothing to do with. To be sure, they're bought and paid in the name and interest of us all.

but none of them will add a mite to the comfort, convenience or luxury of the individual's life—except as the security of the nation contributes to that. In other words, we shall have to put more of our productive energies into soldiering, into making guns, tanks, warplanes, and many other items that no individual possibly can use to raise his or her living standards.

This national defense job is elastic also. It varies with the need or what we think is the need. So let's take a look at what Germany considers her need; that may give us some idea of the competition. It is estimated that during the last six years Germany has put from 25% to 40% of her energies and resources into armament. (BW—May 25, '40, p60). That means the German people had to divert just that much of the time and energy they put into their work from the living standard they might otherwise have enjoyed into the building of their war-machine.

Those percentages needn't apply to us. With superior resources, we can match blow for blow with a lot smaller share of them—once we make up for lost time and get started. But it must be obvious that if we are going to undertake a real defense effort, we shall not get very far if we begin by laying down the law about what we're *not* going to give up.

For it stands to reason that if we're going to build a great national armament in quick time, we must decide whether we are going to cut down our normal standards of living or work that much harder to produce enough for both. That is to say, we can't shoot our cake and eat it too—unless we bake a lot more cake.

\* \* \*

But we don't need to theorize. Before us we have a tragic example of what I'm talking about. For several years France's Labor government was so busy pushing its social program that it disregarded the Nazi menace. They wouldn't give anything up. And in their zeal for higher wages and shorter hours, they sacrificed the national defense—until three years ago, when the French people wrote off some of those "social gains" to get on with the big job. But it was terribly late. And now the lesson is written in the blood of hundreds of thousands of their sons, so that all—including us—can read, if we will.

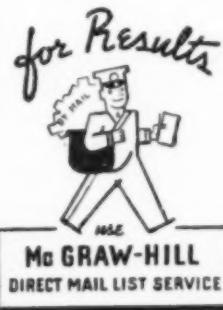
As someone has put it: Her people were unwilling to work longer than 40 hours a week to build tanks, so now they must watch their defenders crushed under tanks built by men who worked 60 hours a week.

Tell us, France, what price "social gains" now?

W.T.C.

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# BUSINESS WEEK

*With Which Is Combined The Magazine of Business*

June 15, 1940

## In Advance of the Need

**S**O MUCH ATTENTION has been devoted to the money and material sides of national defense that we have all but forgotten the third essential factor. That is, we had until the last week or ten days, when a few voices began to remind us that it still takes men to wage war.

Mechanized war naturally has focused our thoughts on industrial preparedness. As we are an industrially minded people, it comes easy to think of national defense in terms of airplanes, tanks, and guns. So we talk glibly about arms and equipment for a million men. That's fine; we should. But—what million men?

We seem to be taking the men for granted. But we cannot take them for granted any more than we can take the planes for granted, or the tanks, or the guns. We cannot improvise modern soldiers of the land, the sea, or the air any more than we can improvise their weapons. For they must be trained workmen, skilled in the trade of war. And on their skill may hang the security of the nation—yes, even its survival. To staff modern equipment with unskilled men would be as criminal as to send trained men into battle without modern equipment. Either would be murder.

**L**ET US SEE clearly that the mechanization of war has not replaced man-power. Rather has it underlined the necessity for more thorough and systematic training of man-power—in advance of the need. Once upon a time the farmer could leave his plow in the furrow, step into the kitchen and take his flintlock from its pegs over the fireplace. And forthwith he was a soldier, ready to meet the alien regular, man to man. Soldiering was simple then. But not now.

Modern military training no longer is a matter of spit and polish, squads east and west, drill in the manual of arms. It is a matter of fitting readily into army or navy life, of developing habits of order and discipline, of learning to coordinate effectively with others and to carry on under exacting pressure and harassing distraction. And above all, it is a matter of intensive training in specialized skills.

You cannot get such training on an armory drill-floor or in a few weeks of field exercises. It takes sustained, intensive application for at least six months or a year; it means buckling down to learn a new trade under conditions as nearly as practicable like those under which it must be practiced; it means periodic return to the ranks for shorter periods, to keep the old skills bright and to learn new ones as they may become necessary.

Neither should we leave to chance the identity of those who will make up our million men. That's neither fair nor intelligent. The number of men who can or will enlist in a professional regular army for a three year hitch is very limited. We should not expect the members of the National Guard to handicap themselves economically any more than they now do in order to carry the common burden. Moreover, we should guard against enlisting in the armed forces men whose services to the nation would be more valuable in industrial capacities. And after emergency does strike, it is utterly unfair to accept the voluntary sacrifice of the patriots for the benefit of the slackers as it is utterly stupid to wait for the blow before we begin to train the men who must meet it. The essence of preparedness is to be prepared.

**A**LL THIS MEANS that our strength in man-power as well as machine-power must always be ready; that we must train our men to their jobs while they are young, keen to learn, and retentive of what they learn; that we must distribute the sacrifices of service equitably; that we must give our senior officers a continuing opportunity to command in the field forces approaching in strength those for which they would be responsible in war.

All this adds up to one total: universal military training in time of peace, and selective military service in time of war. No other program meets the test of modern war, no other can make the most effective use of American man-power, no other can effect so perfect a mobilization of American money-power, machine power and man-power as to make our nation too dangerous for any aggressor, and thereby guarantee the peace that we are seeking in our present effort for national defense.

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